

# **CONTINUING DISCLOSURE ANNUAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2019**

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**CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
LEASE REVENUE BONDS, SERIES 2017A  
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE  
IMPROVEMENT PROGRAM – PHASE I)**

**CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
LEASE REVENUE BONDS, SERIES 2018A  
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE  
IMPROVEMENT PROGRAM – PHASE II)**

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**COUNTY OF ORANGE  
COUNTY EXECUTIVE OFFICE  
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**CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
LEASE REVENUE BONDS, SERIES 2017A  
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE IMPROVEMENT  
PROGRAM – PHASE I)**

***MATURITY DATE***  
***(June 1)***

***CUSIP\****

2021	13049UCF4
2022	13049UCG2
2023	13049UCH0
2024	13049UCJ6
2025	13049UCK3
2026	13049UCL1
2027	13049UCM9
2028	13049UCN7
2029	13049UCP2
2030	13049UCQ0
2031	13049UCR8
2032	13049UCS6
2033	13049UCT4
2034	13049UCU1
2035	13049UCV9
2036	13049UCW7
2037	13049UCX5
2042	13049UCY3
2047	13049UCZ0

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**CALIFORNIA MUNICIPAL FINANCE AUTHORITY  
LEASE REVENUE BONDS, SERIES 2018A  
(ORANGE COUNTY CIVIC CENTER INFRASTRUCTURE IMPROVEMENT  
PROGRAM – PHASE II)**

***MATURITY DATE***  
***(June 1)***

***CUSIP\****

2023	13049UEG0
2024	13049UEH8
2025	13049UEJ4
2026	13049UEK1
2027	13049UEL9
2028	13049UEM7
2029	13049UEN5
2030	13049UEP0
2031	13049UEQ8
2032	13049UER6
2033	13049UES4
2034	13049UET2
2035	13049UEU9
2036	13049UEV7
2037	13049UEW5
2038	13049UEX3
2043	13049UEY1
2048	13049UEZ8

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## **INTRODUCTION**

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated February 25, 2020 (the “Annual Report”) has been prepared to satisfy the obligations of the County of Orange, a political subdivision of the State of California (the “County”), with respect to the California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I), issued on June 22, 2017 (the “2017A Bonds”) and the California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II), issued on December 13, 2018 (the “2018A Bonds” and, together with the 2017A Bonds, the “Bonds”).

### **Delivery of the Annual Report**

The County has agreed under that certain Continuing Disclosure Certificate, dated June 22, 2017, executed by the County in connection with the issuance of the 2017A Bonds and that certain Continuing Disclosure Certificate, dated December 13, 2018, executed by the County in connection with the issuance of the 2018A Bonds (the “Disclosure Certificates”), and pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the “Rule”), to provide certain annual financial information and operating data and notices of certain reporting of significant events. These covenants have been made in order to comply with the Rule. As provided in the Disclosure Certificates, this Annual Report is being prepared for publication with the Electronic Municipal Market Access (“EMMA”), a service of the Municipal Securities Rulemaking Board for the benefit of the owners of the Bonds and the participating underwriters. Capitalized terms used herein which are not otherwise defined shall have the respective meaning specified in the Disclosure Certificates.

The information herein is being provided as required under Section 4 of the Disclosure Certificates.

## **AUDITED FINANCIAL STATEMENTS**

The comprehensive annual financial report of the County for the fiscal year ended June 30, 2019, which contains the audited financial statements of the County, is attached hereto as Appendix A.

### **TABLE A-6 - FINAL BUDGET OF THE COUNTY**

The following table, as in the form of Table A-6 in the Official Statements of the Bonds, sets forth the County’s Final Budgets (which include all mid-year adjustments made during the fiscal year) for Fiscal Year 2016-17 through Fiscal Year 2018-19 and the Modified Budget (which includes mid-year adjustments through January 28, 2020) for Fiscal Year 2019-20.

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**TABLE A-6**

**COUNTY OF ORANGE  
COMPARISON OF GENERAL FUND  
FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2016-17 TO 2019-20**

	<b>2016-17<sup>(1)</sup> Final Budget</b>	<b>2017-18<sup>(1)</sup> Final Budget</b>	<b>2018-19<sup>(1)</sup> Final Budget</b>	<b>2019-20<sup>(1)</sup> Modified Budget</b>
<b>REQUIREMENTS:</b>				
Public Protection	\$1,213,516,840	\$1,263,275,290	\$1,303,371,381	\$1,332,611,274
Health & Community & Social Services	1,677,616,903	1,710,518,620	1,796,401,201	1,931,344,922
Infrastructure & Environmental Resources <sup>(2)</sup>	98,972,335	116,899,628	113,457,809	114,452,598
General Government & Services <sup>(3)</sup>	175,235,341	177,290,869	172,387,410	206,394,986
Capital Improvements <sup>(4)</sup>	70,473,040	71,724,289	88,681,673	133,686,916
Debt Service <sup>(5)</sup>	28,915,270	8,514,959	1,672,115	152,077
Insurance, Reserves & Miscellaneous <sup>(6)</sup>	88,233,890	74,518,200	77,217,661	50,175,699
Increases to Reserves <sup>(14)</sup>	-	-	9,885,637	-
<b>Total Requirements</b>	<b>\$3,352,963,619</b>	<b>\$3,422,741,855</b>	<b>\$3,563,074,887</b>	<b>\$3,768,818,472</b>
<b>AVAILABLE FUNDS:</b>				
Property Taxes <sup>(7)</sup>	\$ 664,066,177	\$ 693,860,000	\$739,230,000	\$780,925,000
Sales & Use Taxes	7,421,000	7,952,000	8,165,000	8,389,000
Licenses, Permits & Franchises	26,191,782	26,541,617	26,297,738	24,977,844
Fines, Forfeitures & Penalties <sup>(8)</sup>	63,426,590	32,651,489	36,248,809	34,939,412
Use of Money & Property <sup>(9)</sup>	6,837,144	8,783,507	20,464,355	15,976,868
Intergovernmental Revenues <sup>(10)</sup>	1,650,849,929	1,680,118,352	1,780,271,650	1,836,434,175
Charges for Services <sup>(11)</sup>	478,731,879	489,839,549	512,104,454	502,748,015
Miscellaneous Revenues <sup>(12)</sup>	19,813,105	28,407,826	18,425,921	17,458,053
Other Financing Sources <sup>(13)</sup>	404,386,614	444,542,184	421,866,960	512,045,096
Decreases to Reserves <sup>(14)</sup>	31,239,399	10,045,331	-	34,925,009
<b>Total Available Funds</b>	<b>\$3,352,963,619</b>	<b>\$3,422,741,855</b>	<b>\$3,563,074,887</b>	<b>\$3,768,818,472</b>

<sup>(1)</sup> Final Budgets include all budget adjustments throughout the year after budget adoption. Modified Budget was approved by the Board of Supervisors on January 28, 2020.

<sup>(2)</sup> Fiscal Year (FY) 2017-18 budget included increase in Debt Service for Central Utility Facility (CUF) Bonds and decrease in cost reimbursements from County departments for Utilities and Custodial Services, which resulted in overall increase in appropriations.

<sup>(3)</sup> FY 2019-20 budget increase is due to one-time costs for the new Election System (\$20.8M), new Performance Budgeting System (\$1.7M) and ongoing increase to restore level of funding for various General Government budgets.

<sup>(4)</sup> FY's 2018-19 and 2019-20 budgets included one-time additional funding for planned capital projects.

<sup>(5)</sup> FY's 2017-18 and 2018-19 budgets included a decrease due to reduction in waste importation revenue to pay down balances in the plan administered accounts. FY 2019-20 decrease is due to decrease in debt service for 2012 Juvenile Justice Center Bonds.

<sup>(6)</sup> FY's 2017-18, and 2018-19 budgets included AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State, \$50 million and \$55 million respectively, and funding for one-time capital projects. FY 2019-20 budget includes \$25.6 million for Contingencies.

<sup>(7)</sup> FY's 2017-18, 2018-19, and 2019-20 budgets increased due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies.

<sup>(8)</sup> FY 2017-18 budget decreased due to a FY 2016-17 one-time \$26 million litigation settlement with a contractor related to the development of a new property tax system.

<sup>(9)</sup> Changes in Use of Money & Property is due to changes in interest earnings from increases or decreases of cash balances.

<sup>(10)</sup> This funding is comprised of Federal and State grants and reimbursements, matching funds and State-distributed revenues. The overall changes are due to changes in caseload and additional revenues from the State for the 2011 Realignment of various public safety, social services, and health programs.

<sup>(11)</sup> Increases due to an increase in billings for cost of services to cities which contract for Sheriff security services, increase in correctional medical services, and charges from the Health Care Agency for Mental Health Services.

<sup>(12)</sup> FY 2017-18 budget included an increase in revenue from the Sheriff Court Operations of \$4.5 million. FY 2018-19 budget decreased due to decreases of \$3 million in Reimbursement Revenue from 2012 Juvenile Justice Center Bonds and decreases in Court Revenue of \$4.5 million.

<sup>(13)</sup> This funding 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 2017-18 budget increased due to higher transfers in from the Health Care Agency, Social Services Agency, Teeter Program, and OC Waste and Recycling importation program. FY 2018-19 budget decreased due to reduction of one-time revenue included in FY 2017-18 of \$21 million for the Teeter Program, \$14 million transfer of excess bond reserves and \$4 million unused Central Utility Facility funding carryover in the Countywide Capital Projects Non-General Fund Budget. FY 2019-20 budget increased due to \$57 million increase in transfer from Mental Health Services Act and \$17 million increase in carryover in the Countywide Capital Projects Non-General Fund Budget.

<sup>(14)</sup> Governmental Accounting Standards Board pronouncement No. 54 requires all year-end Fund Balance Available be reclassified and transferred to reserves. Although budgeted as a decrease, FY 2016-17, FY 2017-18, and FY 2018-19, actual year-end Fund Balance reclassified and transferred to reserves were \$46.7 million for FY 2016-17, \$35.7 million for FY 2017-18, and \$23.7 million for FY 2018-19.

Source: County of Orange, County Budget Office

## NUMERICAL AND TABULAR INFORMATION

Pursuant to the Disclosure Certificates, the Numerical and Tabular Information herein consists of updated versions of the financial information and operating data contained in Tables A-3 through A-5, Tables A-8 through A-10 and Tables A-12 through A-20 in the Official Statements of the Bonds.

### **Table A-3 – Governmental Funds Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**

The following table, as in the form of Table A-3 in the Official Statements of the Bonds, presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net changes in fund balances for the governmental funds for the Fiscal Years ended June 30, 2016 through June 30, 2019.

#### **TABLE A-3**

#### **COUNTY OF ORANGE GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Fiscal Years Ending June 30, 2016 through June 30, 2019 (In Thousands)**

	2016	2017	2018	2019
<b><u>REVENUES AND OTHER FINANCING SOURCES</u></b>				
General Fund	\$3,038,491	\$3,167,897	\$3,345,890	\$3,382,454
Flood Control District	128,929	151,353	149,683	194,368
Other Public Protection	63,506	79,074	94,382	62,121
Mental Health Services Act	116,978	153,076	169,546	168,334
Other Governmental Funds	904,098	1,193,132	849,433	1,204,481
Total	\$4,252,002	\$4,744,532	\$4,608,934	\$5,011,758
<b><u>EXPENDITURES AND OTHER FINANCING USES</u></b>				
General Fund	\$2,975,161	\$3,144,843	\$3,288,004	\$3,400,499
Flood Control District	116,206	144,469	179,023	146,280
Other Public Protection	63,656	81,587	81,515	52,662
Mental Health Services Act	115,244	138,075	178,523	200,386
Other Governmental Funds	810,900	1,014,615	960,833	1,059,415
Total	\$4,081,167	\$4,523,589	\$4,687,898	\$4,859,242
<b><u>NET CHANGES IN FUND BALANCES</u></b>				
General Fund	\$63,330	\$23,054	\$57,886	\$(18,045)
Flood Control District	12,723	6,884	(29,340)	48,088
Other Public Protection	(150)	(2,513)	12,867	9,459
Mental Health Services Act	1,734	15,001	(8,977)	(32,052)
Other Governmental Funds	93,198	178,517	(111,400)	145,066
Total	\$170,835	\$220,943	\$(78,964)	\$152,516

Sources: Orange County Comprehensive Annual Financial Reports.

**Table A-4 – General Fund Balance Sheet**

The following table, as in the form of Table A-4 in the Official Statements of the Bonds, sets forth the audited General Fund Balance Sheet as of June 30, 2016 through June 30, 2019.

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**TABLE A-4**

**COUNTY OF ORANGE  
GENERAL FUND BALANCE SHEET<sup>(1)</sup>  
June 30, 2016 through June 30, 2019  
(In Thousands)**

	2016	2017	2018	2019
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 419,457	\$ 531,226	\$ 590,115	\$ 674,798
Imprest Cash Funds	1,834	1,834	1,835	1,838
Restricted Cash and Investments with Trustee	15	1	2	37
Investments	221,772	67,557	--	--
Receivables				
Accounts	10,486	9,590	9,139	9,781
Taxes	10,367	5,701	6,251	5,986
Interest/Dividends	1,454	1,794	2,727	3,527
Deposits	562	524	537	537
Advances	30	40	30	30
Allowance for Uncollectible Receivables	(4,844)	(4,077)	(4,421)	(3,362)
Due from Other Funds	78,793	104,918	136,308	105,248
Due from Component Unit	375	339	494	620
Due from Other Governmental Agencies, Net	353,668	330,367	349,949	348,176
Inventory of Materials and Supplies	891	838	1,417	1,995
Prepaid Costs	327,198	367,934	373,201	394,546
Advances to Other Funds	3,800	3,800	3,800	--
Total Assets	<u>\$ 1,425,858</u>	<u>\$ 1,422,386</u>	<u>\$ 1,471,384</u>	<u>\$ 1,543,757</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 56,689	\$ 47,903	\$ 55,263	\$ 53,439
Retainage Payable	1,495	1,750	1,892	1,068
Salaries and Employee Benefits Payable	103,724	43,688	44,875	46,603
Interest Payable	1,671	2,376	3,801	5,300
Deposits from Others	1,615	1,534	1,397	1,570
Due to Other Funds	35,954	43,725	25,465	47,619
Due to Other Governmental Agencies	20,410	14,634	11,376	21,645
Unearned Revenue	25,450	38,668	61,182	45,037
Bonds Payable	334,275	375,540	375,345	402,182
Advances from Other Funds	1,567	784	556	370
Total Liabilities	<u>\$ 582,850</u>	<u>\$ 570,602</u>	<u>\$ 581,152</u>	<u>\$ 624,833</u>
<b>DEFERRED INFLOWS OF RESOURCES<sup>(2)</sup></b>				
Unavailable Revenue- Intergovernmental Revenues	\$ 68,501	\$ 58,651	\$ 62,884	\$ 100,960
Unavailable Revenue- Senate Bill 90 Mandated Claims, Net	28,404	24,637	6,711	5,556
Unavailable Revenue- Property Taxes	8,878	8,364	7,574	7,403
Unavailable Revenue- Others	9,387	9,240	4,285	14,272
Total Deferred Inflows of Resources	<u>\$ 115,170</u>	<u>\$ 100,892</u>	<u>\$ 81,454</u>	<u>\$ 128,191</u>
<b>FUND BALANCES</b>				
Nonspendable <sup>(3)</sup>	\$ 331,889	\$ 372,572	\$ 378,418	\$ 396,541
Restricted	49,230	39,581	31,815	49,989
Assigned	321,064	265,293	179,119	147,686
Unassigned	25,655	73,446	219,426	196,517
Total Fund Balances	<u>\$ 727,838</u>	<u>\$ 750,892</u>	<u>\$ 808,778</u>	<u>\$ 790,733</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,425,858</u>	<u>\$ 1,422,386</u>	<u>\$ 1,471,384</u>	<u>\$ 1,543,757</u>

<sup>(1)</sup> 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, 2019 in Appendix A of this Annual Report.

<sup>(2)</sup> See Note 1 the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2019" in Appendix A of this Annual Report.

<sup>(3)</sup> 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 \$327 million for Fiscal Year 2016, \$368 million for Fiscal Year 2017, \$373 million for Fiscal Year 2018 and \$395 million for Fiscal Year 2019. As a result, GASB 54 presentation does not represent the County's budgetary and financial planning allocation of fund balance.

Sources: Orange County Comprehensive Annual Financial Reports.

**Table A-5 – Comparison of Statement of General Fund Revenues, Expenditures and Changes in Fund Balances**

The following table, as in the form of Table A-5 in the Official Statements of the Bonds, presents a more detailed summary of revenues, expenditures and changes in fund balances for the General Fund for Fiscal Years 2015-16 through 2018-19.

**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)**

	2016	2017	2018	2019
<b>REVENUES</b>				
Taxes <sup>(1)</sup>	\$ 671,363	\$ 681,836	\$ 723,675	\$ 760,723
Licenses, Permits & Franchises	25,154	25,362	25,775	23,914
Fines, Forfeitures & Penalties	44,375	67,648	40,169	38,927
Use of Money and Property	18,318	6,733	10,412	29,555
Intergovernmental	1,626,855	1,613,969	1,680,669	1,686,306
Charges for Services	386,117	442,591	465,328	471,249
Other	18,648	17,790	18,808	19,458
<b>TOTAL REVENUES</b>	<b>2,790,830</b>	<b>2,855,929</b>	<b>2,964,836</b>	<b>3,030,132</b>
<b>EXPENDITURES</b>				
General Government	176,002	195,250	218,995	229,582
Public Protection	1,182,458	1,260,068	1,315,803	1,353,355
Public Ways and Facilities	30,792	30,633	33,522	35,057
Health and Sanitation	526,216	577,050	647,960	678,587
Public Assistance	881,261	891,309	903,294	942,759
Capital Outlay	20,794	23,532	45,752	38,546
Principal Retirement	4,530	5,129	5,736	6,386
Interest	7,451	8,564	10,741	12,896
<b>TOTAL EXPENDITURES</b>	<b>2,829,504</b>	<b>2,991,535</b>	<b>3,181,763</b>	<b>3,297,168</b>
Excess (Deficit) of Revenues Over Expenditures	(38,674)	(135,606)	(216,927)	(267,036)
Other Financing Sources (Uses)				
Transfers In <sup>(2)</sup>	247,661	311,968	381,054	352,322
Transfers Out <sup>(2)</sup>	(145,657)	(153,308)	(106,241)	(103,331)
Total Other Financing Sources (Uses)	102,004	158,660	274,813	248,991
Net Change in Fund Balances	63,330	23,054	57,886	(18,045)
Fund Balances – Beginning of Year	664,508	727,838	750,892	808,778
<b>FUND BALANCES – End of Year</b>	<b>\$ 727,838</b>	<b>\$ 750,892</b>	<b>\$ 808,778</b>	<b>\$ 790,733</b>

<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, 2019" in Appendix A of this Annual Report.

Sources: *Orange County Comprehensive Annual Financial Reports.*

### Table A-8 – County of Orange Detail of Assessed Valuation

The following table, as in the form of Table A-8 in the Official Statements of the Bonds, shows a history of assessed valuations in the County since Fiscal Year 2009-10.

**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>
2009-10	\$402,572,097,312	\$20,393,498,698	\$422,965,596,010	(1.36)%
2010-11	400,814,188,871	19,937,386,517	420,751,575,388	(0.52)
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	1.92
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

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

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**Table A-9 – County of Orange Top 20 Secured Taxpayers**

The following table, as in the form of Table A-9 in the Official Statements of the Bonds, provides a list of the twenty largest secured taxpayers in the County for Fiscal Year 2019-20. For purposes of this table, multiple properties may be consolidated into a single entry.

**TABLE A-9**  
**COUNTY OF ORANGE**  
**TOP 20 LOCAL SECURED TAXPAYERS**  
**FISCAL YEAR 2019-20**

<b>Taxpayers<sup>(1)</sup></b>	<b>Secured Tax Charge</b>	<b>% of Taxes<sup>(2)</sup></b>
1. Irvine Company	\$76,208,472	1.05%
2. Walt Disney Parks & Resorts US	63,999,102	0.89
3. Southern California Edison Company (Edison International)	49,219,911	0.68
4. Five Points Holdings, LLC (Lennar)	20,233,450	0.28
5. Sempra Energy (SDG&E, So. Cal. Gas)	14,883,280	0.21
6. United Laguna Hills Mutual (Laguna Woods)	11,345,544	0.16
7. BEX Portfolio, Inc.	8,680,274	0.12
8. Anbang Insurance Group Company (Ritz-Carlton, Montage)	7,010,957	0.10
9. AT&T (Pacific Bell Telephone Company)	6,473,906	0.09
10. Bella Terra Associates, LLC	6,430,883	0.09
11. B. Braun Medical, Inc.	5,137,511	0.07
12. South Coast Plaza	4,965,097	0.07
13. Olen Properties Corporation	4,871,684	0.07
14. AES Corporation	4,507,941	0.06
15. Knott's Berry Farm	4,339,489	0.06
16. Edwards Lifesciences	4,140,652	0.06
17. Mainplace Shoppingtown, LLC	4,067,186	0.06
18. Chapman University	4,004,636	0.06
19. PCH Beach Resort LLC (Hyatt Regency Huntington Beach)	3,675,492	0.05
20. Ohana Real Estate Investors (Monarch Beach Resort)	3,320,158	0.05
<b>TOTAL</b>	<b>\$307,515,625</b>	<b>4.26%</b>

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

<sup>(2)</sup> Total Secured Taxes as of September 30, 2019 were \$7,225,003,802.

Source: Orange County Treasurer-Tax Collector.

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**Table A-10 – County of Orange Top Ten Unsecured Taxpayers**

The following table, as in the form of Table A-10 in the Official Statements of the Bonds, provides a list of the ten largest unsecured taxpayers in the County for Fiscal Year 2019-20.

**TABLE A-10****COUNTY OF ORANGE  
TOP TEN UNSECURED TAXPAYERS  
FISCAL YEAR 2019-20**

<b>Taxpayers<sup>(1)</sup></b>	<b>Unsecured Tax Charge</b>	<b>% of Taxes<sup>(2)</sup></b>
1. Charter Communications, Inc. (Time Warner)	\$ 3,660,789	1.20%
2. Cox Communications, Inc.	3,170,872	1.04
3. Applied Medical Resources Corporation	1,463,856	0.48
4. Boeing Company	1,404,694	0.46
5. Allergan, Inc.	1,335,157	0.44
6. Wells Fargo Bank	1,284,913	0.42
7. Oakley, Inc.	1,207,431	0.40
8. Jazz Semiconductor, Inc.	1,149,395	0.38
9. Kimberly-Clark Worldwide, Inc.	1,125,378	0.37
10. Broadcom Corporation	1,079,639	0.35
<b>TOTAL</b>	<b>\$ 16,882,124</b>	<b>5.54%</b>

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

<sup>(2)</sup> Total Unsecured Taxes as of September 30, 2019 are \$305,619,339.

Source: Orange County Treasurer-Tax Collector.

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**Table A-12 – County of Orange Outstanding Long Term Debt and Lease Obligations**

The County's outstanding long-term debt as of June 30, 2019 is shown in the following table, as in the form of Table A-12 in the Official Statements of the Bonds.

**TABLE A-12**

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

<b>Description</b>	<b>Source of Repayment</b>	<b>Outstanding Principal Balance (June 30, 2019)</b>	<b>Final Maturity Date</b>
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A <sup>(1)</sup>	General Fund	\$ 5,447,239	2021
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	\$ 29,507,000	2021
South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016	General Fund	\$ 50,615,000	2036
<b>SUBTOTAL- GENERAL FUND OBLIGATIONS</b>		<b>\$ 85,569,239</b>	
Airport Revenue Refunding Bonds, Series 2019A	Airport Revenues	\$ 34,530,000	2029
Airport Revenue Refunding Bonds, Series 2019B	Airport Revenues	\$ 50,500,000	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	\$ 6,320,000	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	\$ 10,805,000	2023
<b>TOTAL</b>		<b>\$ 187,724,239</b>	
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
California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program - Phase II) <sup>(2)</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.

<sup>(2)</sup> The lease payments for the Series 2017A and Series 2018A Bonds will become an obligation of the County upon substantial completion of Phases I and II, respectively, and the County has taken occupancy.

Source: County of Orange, CEO Public Finance Unit

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## Table A-13 – County of Orange General Fund Debt Service

The following table, as in the form of Table A-13 in the Official Statements of the Bonds, sets forth the County's General Fund debt service payments (excluding the economically defeased Pension Obligation Bonds, Series 1997) for Fiscal Years 2019-20 through 2023-24.

**TABLE A-13**

### **COUNTY OF ORANGE GENERAL FUND DEBT SERVICE**

<b>Description</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2022-23</b>	<b>Fiscal Year 2023-24</b>
County of Orange Teeter Plan Obligation Notes, Series B <sup>(1)</sup>	0	0	43,439,000	0	0
South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016	4,486,000	4,487,000	4,489,250	4,486,250	4,488,000
<b>TOTAL GENERAL FUND DEBT SERVICE</b>	<b>\$4,486,000</b>	<b>\$4,487,000</b>	<b>\$47,928,250</b>	<b>\$4,486,250</b>	<b>\$4,488,000</b>
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) <sup>(2)</sup>	\$0	\$3,095,263	\$3,393,370	\$3,392,605	\$3,392,775
California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program - Phase II) <sup>(2)</sup>	\$0	\$0	\$0	\$3,676,889	\$6,330,065

<sup>(1)</sup> 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.

<sup>(2)</sup> The lease payments for the Series 2017A and Series 2018A Bonds will become an obligation of the County upon substantial completion of Phases I and II, respectively, and the County has taken occupancy.

Source: County of Orange, CEO Public Finance Unit.

## Table A-14 – County of Orange Direct and Overlapping Debt

Set forth in the following table, in the form of Table A-14 in the Official Statements of the Bonds, is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of June 30, 2019. The Debt Report is included for general information purposes only. Neither the County nor the underwriter makes any representations as to its completeness or accuracy. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property and other taxes.

**TABLE A-14**  
**COUNTY OF ORANGE**  
**DIRECT AND OVERLAPPING DEBT**  
**As of June 30, 2019**

2018-19 Assessed Valuation: \$598,901,015,542 includes unitary utility valuation)

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/19</u>
Metropolitan Water District	20.282%	\$ 9,745,501
Coast Community College District	99.999	754,056,963
North Orange County Joint Community College District	97.675	313,008,329
Rancho Santiago Community College District and School Facilities Improvement District No. 1	100.000	349,442,001
Unified School Districts	0.144-100.	1,978,616,442
Anaheim Union High School District	100.000	194,563,955
Fullerton Joint Union High School District	91.699	168,235,570
Huntington Beach Union High School District	100.000	180,274,998
Elementary School Districts	100.000	775,913,268
Irvine Ranch Water District Improvement Districts	100.000	555,200,000
Moulton-Niguel Water District Improvement Districts	100.000	1,465,000
Santa Margarita Water District Improvement Districts	100.000	58,440,000
Cities	100.000	27,155,000
Orange County Community Facilities Districts	100.000	261,365,000
Other Community Facilities Districts	100.000	2,003,077,112
City and Special District Special Assessment Bonds	100.000	834,875,839
County 1915 Act Bonds	100.000	<u>30,322,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$8,691,577,765
<u>OTHER DIRECT AND OVERLAPPING DEBT:</u>		
Orange County General Fund Obligations	100.000%	\$ 388,720,000
Orange County Pension Obligation Bonds	100.000	407,629,239
Orange County Office of Education Certificates of Participation	100.000	13,490,000
Coast Community College District Certificates of Participation	99.999	2,949,971
Unified School District Certificates of Participation	0.144-100.	312,927,039
High School District Certificates of Participation	91.699-100.	113,262,954
Elementary School District Certificates of Participation	100.000	96,530,594
City of Anaheim General Fund Obligations	100.000	538,560,119
Other City General Fund Obligations	100.000	393,844,783
Moulton-Niguel Water District Certificates of Participation	100.000	<u>59,065,000</u>
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		\$2,326,979,699
Less: City of Anaheim supported obligations		<u>538,560,119</u>
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		\$1,788,419,580
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Anaheim Redevelopment Agency	100.000%	\$149,230,000
Brea Redevelopment Agency	100.000	125,361,668
Westminster Redevelopment Agency	100.000	113,740,000
Fullerton Redevelopment Agency	100.000	71,970,000
Buena Park Redevelopment Agency	100.000	67,985,000
Other Redevelopment Agencies	100.000	<u>405,399,468</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$933,686,136
GROSS COMBINED TOTAL DEBT		\$11,952,243,600 <sup>(1)</sup>
NET COMBINED TOTAL DEBT		\$11,413,683,481

Ratios to 2018-19 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt .....	1.45%
Combined Direct Debt (\$796,349,239) .....	0.13%
Gross Combined Total Debt .....	2.00%
Net Combined Total Debt .....	1.91%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$73,816,578,927):

Total Overlapping Tax Increment Debt .....	1.26%
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<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 – Orange County Employees’ Retirement System Investment Returns**

Investment returns for the past ten calendar years are shown in the following table below, as in the form of Table A-15 of the Official Statements of the Bonds.

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

<u>Year Ended December 31</u>	<u>Actuarial Value Investment Return</u>	<u>Market Value Investment Return</u>
2009	3.60%	17.32%
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)
5-Year Average Return	6.31	4.84
10-Year Average Return	5.59	7.36

*Source: Orange County Employees Retirement System Actuarial Valuation and Review as of December 31, 2018.*

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**Table A-16 – Orange County Employees’ Retirement System Schedule of Funding Progress**

The following table, in the form of Table A-16 in the Official Statements of the Bonds, shows the present value of retirement benefits, the Actuarial Value of Assets available for retirement benefits, and two indicators of funding progress for OCERS: the funding ratio and the ratio of UAAL to annual payroll. OCERS’s Actuarial Value of Assets recognizes each year’s asset gains or losses over a five year period, one fifth per year.

**TABLE A-16**  
**ORANGE COUNTY 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>
2009	\$8,154,687	\$7,615,000	\$11,858,578	\$3,703,891	68.77%	64.22%	\$1,618,491	228.85%
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	352.55
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

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

(2) Actuarial Accrued Liability minus Actuarial Value of Assets.

(3) Actuarial Value of Assets divided by Actuarial Accrued Liability.

(4) Market Value of Assets divided by Actuarial Accrued Liability.

(5) Annual payroll against which UAAL is amortized.

(6) UAAL divided by Covered Payroll.

Sources: Orange County Employees Retirement System Comprehensive Annual Financial Reports and Orange County Employees Retirement System Actuarial Valuation and Review as of December 31, 2018.

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**Table A-17 – Orange County Employees’ Retirement System Changes in Fiduciary Net Position**

The following table, in the form of Table A-17 in the Official Statements of the Bonds, shows the changes in fiduciary net position of OCERS for the calendar years December 31, 2016 to December 31, 2018.

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

	Years Ended December 31		
	2016	2017	2018
Contributions Received <sup>(1)</sup>	\$ 825,493	\$ 834,398	\$ 850,975
Net Investment Income (Loss)	1,060,040	1,938,025	(326,145)
Net Securities Lending Income	1,203	1,610	1,517
Participant’s Benefits <sup>(2)</sup>	(704,333)	(750,478)	(814,345)
Withdrawals and Refunds	(13,643)	(13,866)	(13,933)
Administrative Expenses	(16,870)	(17,002)	(18,284)
Increases in Net Position Restricted for Pension and OPEB	<u>\$ 1,151,890</u>	<u>\$ 1,992,687</u>	<u>\$ (320,215)</u>

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

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

Sources: *Orange County Employee Retirement System Comprehensive Annual Financial Reports.*

**Table A-18 – Orange County Employees’ Retirement System County Contributions**

The following table, in the form of Table A-18 in the Official Statements of the Bonds, shows the County’s required contributions and the percentage contributed for Fiscal Years 2009-10 to 2018-19.

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

Year Ended June 30	County Cash Contribution	Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
2010	\$279,574	\$11,000	\$290,574	100%
2011	296,084	11,000	307,084	100
2012	310,736	11,000	321,736	100
2013	328,953	0	328,953	100
2014	348,597	10,000	358,597	100
2015	371,810	0	371,810	100
2016	384,133	0	384,133	100
2017	405,494	0	405,494	100
2018	433,098	0	433,098	100
2019	440,634	0	440,634	100

Sources: *Orange County Comprehensive Annual Financial Reports.*

# Table A-19 – Orange County Retirement Medical Plan Schedule of Funding Progress

The following table, in the form of Table A-19 in the Official Statements of the Bonds, sets forth the schedule of funding progress for the Retiree Medical Plan.

**TABLE A-19**

## ORANGE COUNTY 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)
2011	\$116,804	\$528,639	\$411,835	22.1%	\$1,273,636	32.3%
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.

Source: Orange County Comprehensive Annual Financial Report June 30, 2019 and June 30, 2019 Actuarial Valuation.

# Table A-20 – Orange County Retirement Medical Plan Calculation of OPEB Asset

The following table, in the form of Table A-20 in the Official Statements of the Bonds, shows the calculation of the net OPEB asset for Fiscal Years 2014-15 through 2018-19.

**TABLE A-20**

## ORANGE COUNTY RETIREE MEDICAL PLAN CALCULATION OF OPEB ASSET (In Thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Required Contribution	\$ 44,921	\$ 44,368	\$ 45,921	(1)	(1)
Interest on Net OPEB Obligation	(3,043)	(3,470)	(3,456)	(1)	(1)
Amortization of Net OPEB Obligation	2,976	3,541	3,666	(1)	(1)
Annual OPEB Cost	44,854	44,439	46,122	(1)	(1)
Contributions Made	(41,181)	(42,490)	(47,853)	(1)	(1)
Decrease/(Increase) in Net OPEB Asset	3,673	1,949	(1,731)	(1)	(1)
Net OPEB Obligation/(Asset), Beginning of year	(48,729)	(45,056)	(43,107)	(1)	(1)
Net OPEB Obligation/(Asset), End of year	\$ (45,056)	\$ (43,107)	\$ (44,838)	(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, 2019 included herein as Appendix A.

Sources: Orange County Comprehensive Annual Financial Reports.



## ORANGE COUNTY RETIREE MEDICAL PLAN (CONTINUED)

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

	2018	2017
<b>Total OPEB Liability</b>		
Service Cost	\$ 15,982	\$ 15,479
Interest	48,442	46,589
Benefit Payments, including refunds of member contributions	(37,118)	(35,111)
Net change in Total OPEB Liability	27,306	26,957
Total OPEB Liability-beginning	694,598	667,641
<b>Total OPEB Liability-ending (a)</b>	<b>\$ 721,904</b>	<b>\$ 694,598</b>
 <b>Plan Fiduciary Net Position</b>		
Contributions-employer	54,229	60,721
Contributions-employee	2,103	2,193
Net investment income	(5,746)	34,217
Benefit Payments, including refunds of member contributions	(37,118)	(35,111)
Administrative expense	(21)	(22)
Net change in Plan Fiduciary Net Position	13,447	61,998
Plan Fiduciary Net Position – beginning	293,805	231,807
<b>Plan Fiduciary Net Position – ending (b)</b>	<b>\$ 307,252</b>	<b>\$ 293,805</b>
 <b>Plan Net OPEB Liability-ending (a) – (b)</b>	<b>\$ 414,652</b>	<b>\$ 400,793</b>
 <b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	<b>42.56%</b>	<b>42.30%</b>
 <b>Covered Payroll<sup>(1)</sup></b>	<b>\$ 1,346,440</b>	<b>\$ 1,313,217</b>
 <b>Plan Net OPEB Liability as a percentage of covered Payroll</b>	<b>30.80%</b>	<b>30.52%</b>

#### Schedule of Investment Returns

	2018	2017
Actual money-weighted rate of return, net of investment expense	(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.

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019.

## ORANGE COUNTY RETIREE MEDICAL PLAN (CONTINUED)

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

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

#### Schedule of Collective Plan Contributions

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

#### Schedule of County Contributions

	2019	2018
Actuarially determined contribution	\$ 48,101	\$ 42,716
Contributions in relation to the actuarially determined contribution	\$ 52,349	\$ 46,005
Contribution deficiency (excess)	\$ (4,248)	\$ (3,289)
Covered payroll <sup>(2)</sup>	\$ 1,254,706	\$ 1,220,638
Contributions as a percentage of covered payroll	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.

Source: Orange County Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

## **INVESTMENT POLICY**

The Board of Supervisors of the County approved the 2020 Investment Policy on November 19, 2019. A copy of the Investment Policy is attached hereto as Appendix 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 California Municipal Finance Authority ("CMFA") undertake no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the County or the CMFA provides information in this Annual Report, the County and the CMFA 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 CMFA 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 CMFA 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 CMFA.

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

**APPENDIX A**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2019**

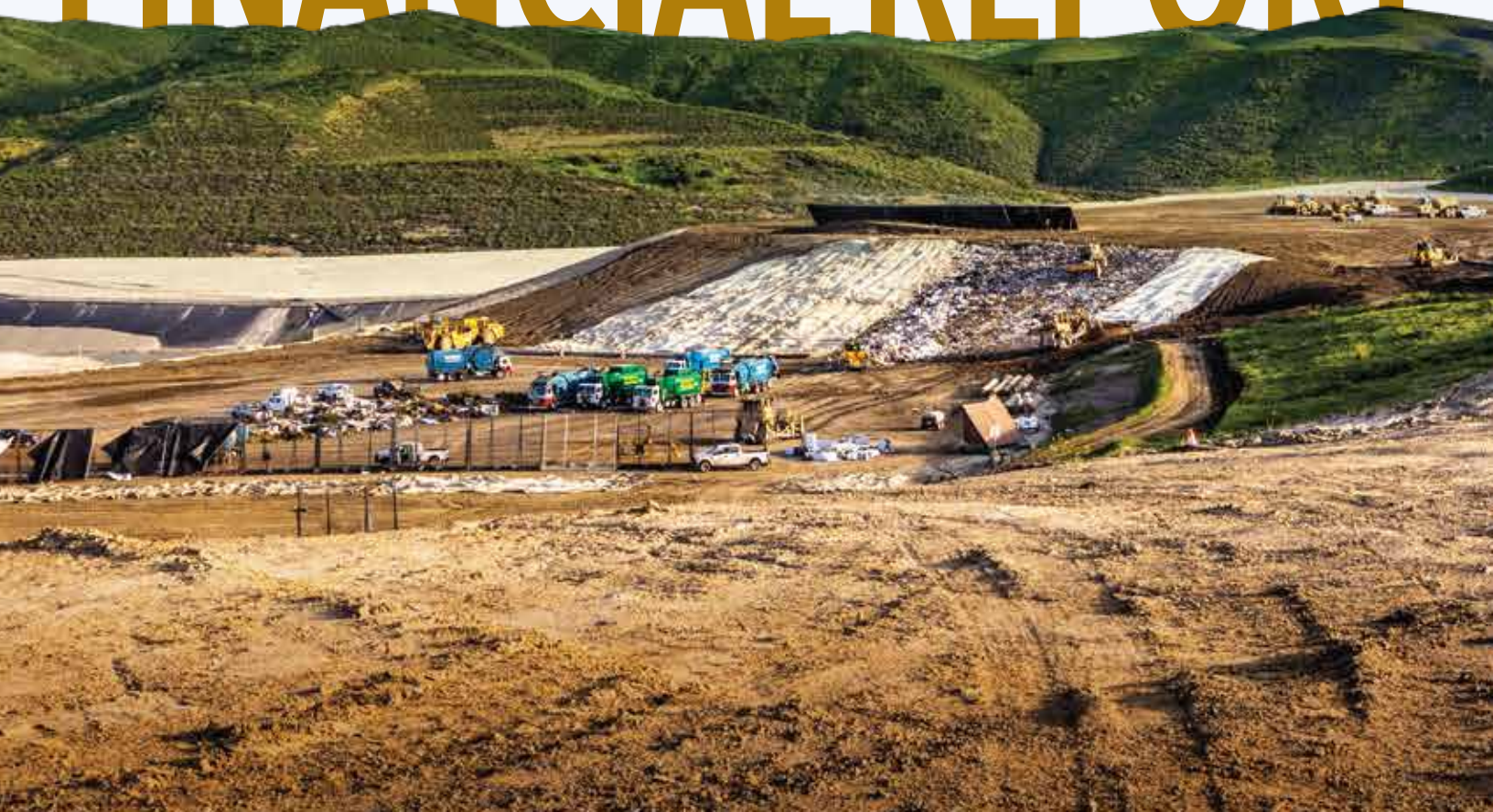
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FOR THE YEAR ENDED JUNE 30, 2019



ORANGE COUNTY, CALIFORNIA AUDITOR-CONTROLLER'S OFFICE

# COMPREHENSIVE ANNUAL FINANCIAL REPORT





# County of Orange

State of California

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2019



Frank Davies, CPA  
Auditor-Controller





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*Olinda Alpha Landfill*







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COUNTY OF ORANGE**

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COUNTY OF ORANGE**

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**December 16, 2019**

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, 2019, 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, 2019, 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, 2019. 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 798 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 following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2019: 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.

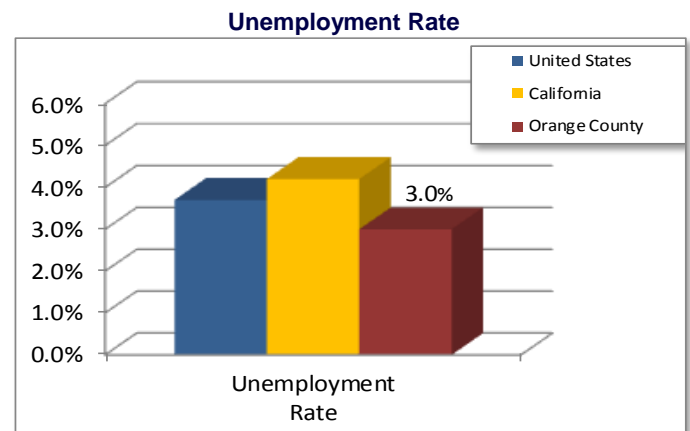
Economic growth in California is forecasted to slow, with some economists predicting a risk of global recession in late 2020. In terms of historical trends, current and projected activity suggests that economic growth at the local level will follow national and state trends.

The County's unemployment rate continues to be below that of all surrounding Southern California counties, the State, and the Nation (see Table 1).

According to the California Department of Finance, inflation, as measured by the increase of the Consumer Price Index (CPI) in 2019, is expected to be 3.9% for Orange County, higher than both the State and U.S. at 3.8% and 2.4%, respectively (see Table 2).

**Table 1: Unemployment Rate Comparison**

Primary Government Entity	August 2019 Unemployment Rate
United States	3.7%
California	4.2%
Los Angeles County	4.7%
Riverside County	4.6%
San Bernardino County	4.1%
San Diego County	3.4%
<b>Orange County</b>	<b>3.0%</b>



**Table 2: 2019 – Projected Increase of the CPI**

United States	California	Orange County
2.4%	3.8%	3.9%

Sources: State of California, Employment Development Department  
California Department of Finance, April 2019

Note: Unemployment rates are for the month of August 2019



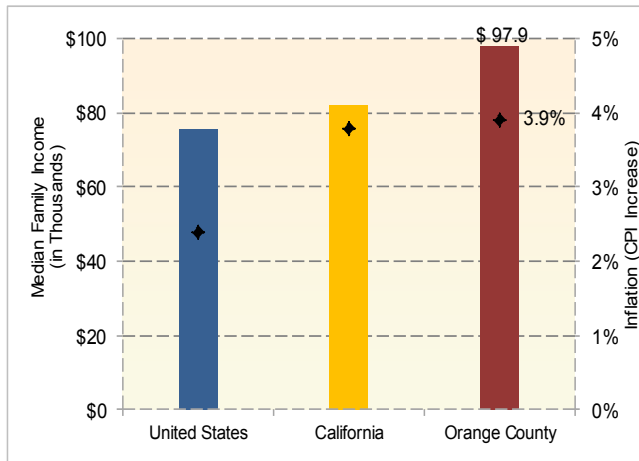
According to the Department of Housing and Urban Development, the County's median family income is expected to be \$97,900 (absolute dollars) in 2019, compared to \$92,700 (absolute dollars) in 2018. The median family income in the County continues to exceed all surrounding Southern California counties, the State of California, and the Nation (see Table 3).

**Table 3: Median Family Income Comparison**

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$75,500
California	\$82,200
<b>Orange County</b>	<b>\$97,900</b>
San Diego County	\$86,300
Los Angeles County	\$73,100
Riverside County	\$69,700

Sources: U.S. Department of Housing and Urban Development, 2019

**Comparisons of Inflation and Median Family Income**



Sources: California Department of Finance, April 2019  
U.S. Department of Housing and Urban Development, 2019

According to the California Association of Realtors, the median home sales price for existing single-family detached homes in Orange County was \$810,000 (absolute dollars) in August 2019, representing a 3.4% decrease relative to August 2018. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

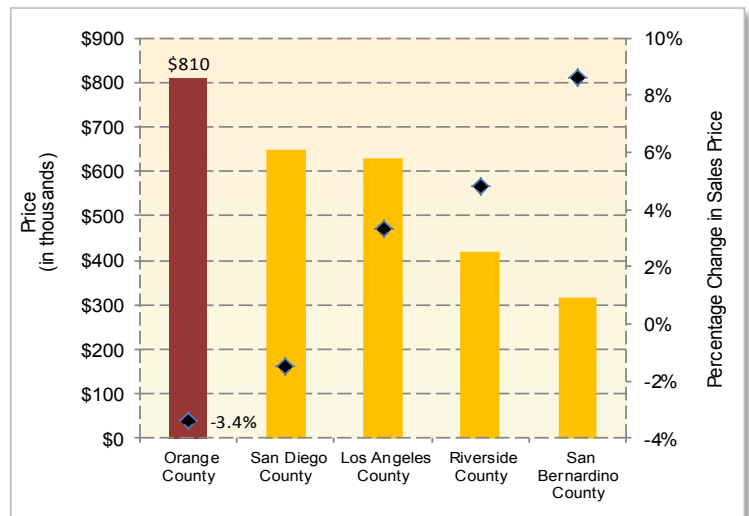
In terms of internal trends, current and projected indicators forecast that the Orange County economy will slow, with job growth expected to increase by 1.3% in 2019.

**Table 4: Median Home Sales Price Comparison-  
(existing single-family detached homes only)  
Southern California Counties – August 2019**

Primary Government Entity	Median Home Sales Price Change increase(decrease)	Median Home Sales Price (absolute dollars)
<b>Orange County</b>	<b>(3.4%)</b>	<b>\$810,000</b>
San Diego County	(1.5%)	\$650,000
Los Angeles County	3.3%	\$627,690
Riverside County	4.8%	\$420,000
San Bernardino County	8.6%	\$315,000

Source: California Association of Realtors, August 2019

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



Sources: California Association of Realtors, August 2019

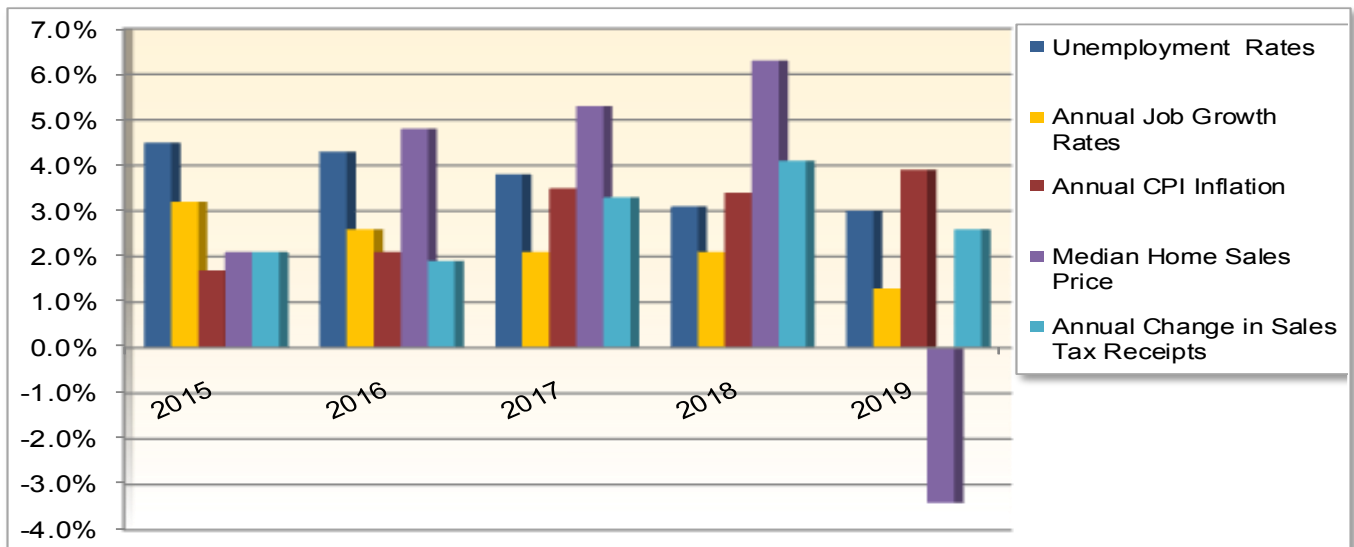
Table 5 shows various internal indicators reflecting moderate growth of the County's economy. The unemployment rate decreased to 3.0% for the month of August 2019 relative to 3.1% for the month of August 2018. Job growth is expected to increase by 1.3% in 2019. Median home prices for existing single-family detached homes decreased by 3.4% in August 2019, relative to an increase of 6.3% in August 2018, according to California Association of Realtors. Sales tax receipts is forecasted to increase by 2.6% in 2019.

**Table 5: Orange County Historical Data**

Historical Indicators	2015	2016	2017	2018	2019
Unemployment Rates	4.5%	4.3%	3.8%	3.1%	3.0%
Annual Job Growth Rates	3.2%	2.6%	2.1%	2.1%	1.3%
Annual CPI Inflation	1.7%	2.1%	3.5%	3.4%	3.9%
Median Home Sales Price Increase	2.1%	4.8%	5.3%	6.3%	(3.4%)
Annual Change in Sales Tax Receipts	2.1%	1.9%	3.3%	4.1%	2.6%

Data in Table 5 for prior years may be different from previous years CAFR due to the timing of obtaining data. Data for 2019 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 2019  
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 2019 Strategic Financial Plan (SFP) will be presented to the Board on December 17, 2019. The 2019 SFP is the foundation in planning for continued financial stability and is augmented by the monitoring and establishment of budgetary control via the quarterly 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) 2020-21, and 0% for each of the following fiscal years, with the remaining excess funds distributed and/or set-aside to address the most critical strategic needs for 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 2029.

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 \$150,000 pending final project design approvals. 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 potential 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 and Dana Point Harbor Partners Drystack, LLC 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. Both option and ground lease agreements with DPHP and Dana Point Harbor Partners Drystack, LLC were executed and recorded in October/November 2018.

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. This project is estimated to start in April 2020, with an estimated completion in FY 2022-23. 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 2019-20.

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.

La Pata Avenue Gap Closure and Camino Del Rio Extension Project: The County has completed construction of the La Pata Avenue Gap Closure Project (Project) that widened Avenida La Pata and completed a gap closure between the cities of San Juan Capistrano and San Clemente. This was a cooperative project between the City of San Clemente, City of San Juan Capistrano, Rancho Mission Viejo, OC Waste & Recycling, and OC Public Works (OCPW), with the County acting as the lead agency. The Board awarded a construction contract for \$72,741 to Sukut Construction, Inc. (Sukut) on December 10, 2013. A construction management contract for \$7,706 was awarded to Hill International, Inc. on February 4, 2014, and later amended on October 6, 2015 to reduce the overall contract amount to \$6,706. The total final construction cost was \$86,000, which included a Contract Change Order of \$6,000 to Sukut approved by the Board on April 11, 2017. The total Project cost was approximately \$130,000. The project was funded by State Proposition 1B, Measure M1 and M2, gas tax, La Pata Fee Program, OC Waste & Recycling, developer agreement, and community facility district revenues.

The groundbreaking ceremony was held on April 4, 2014. The ribbon cutting ceremony for the roadway gap closure was held on August 13, 2016 and the roadway was open to the public on August 14, 2016. Construction of the Camino Del Rio Extension Phase was completed on April 3, 2017. The final phase of the La Pata Widening was completed November 5, 2018 and the Notice of Completion of Work was filed December 7, 2018.

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 is on budget at \$68,000 and is 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. Note that the above summary does not include soft costs.

Westminster Watershed Feasibility Study/East Garden Grove Wintersburg Channel: OCPW continues to work with the Army Corps of Engineers (USACE) to complete the Westminster Watershed Feasibility Study to achieve the final milestone of Chief's Report (March 2020). Having reached the tentatively selected plan, OCPW can soon begin to construct channel reaches covered by the study while receiving Work-In-Kind credit towards OC Flood Control District's (OCFCD) portion of the expected 65% Federal/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. Preliminary estimates for the project indicate that total construction cost is approximately \$1,000,000; however, final analyses will provide a better estimate.

Two projects for the East Garden Grove Wintersburg Channel are planned for construction by OCPW ahead of the formal partnership agreement with USACE. The reaches include Warner Ave. to Goldenwest St., estimated at \$70,000 starting in FY 2019-20, and Confluence with Oceanview Channel to Beach Blvd estimated at \$13,500 starting in FY 2021-22.

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 Admin 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 to be occupied by several County departments and includes a one-stop shop public counter where the public will access services from multiple departments. There will also be a 6,600-square-foot event/conference center, Building 18, located at 425 W. Santa Ana Boulevard, which is planned to be used by the County and the public. In the CAS Building, there will be 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 will commence 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 Admin 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 forming 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 the fund total \$28,000 advance funding for the design and construction of the OC Regional Wellness Hub.

The project construction started in October 2019 and is estimated for completion in August 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 of the United States and Canada (GFOA) 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:

Relevant Financial Policies	
<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 \$127,575. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 30, 2019 balance is \$65,000, approximately \$62,575 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 amendments or modifications to the IPS. The elected Treasurer-Tax Collector then submits the IPS to the Board for approval, including any additions or amendments 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 members of the public. 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 19 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 9,839 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs, which represents four bargaining units totaling about 2,777 members and the American Federation of State and Municipal Employees at about 1,494 members. Subsequent to the end of FY 2018-19, most bargaining unit contracts have been negotiated. All but three contracts have been successfully negotiated and County employees continue to work under contract terms with no interruption.

## **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, 2018; this represents the County's 24<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 16<sup>th</sup> consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2018. 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.ocgov.com](http://www.ocgov.com).

**Distinguished Budget Presentation Award:** The GFOA awarded a Distinguished Budget Presentation Award to the County for its FY 2018-19 Annual Budget; this is the County's third 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, 2018. 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

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Presented to

**County of Orange  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

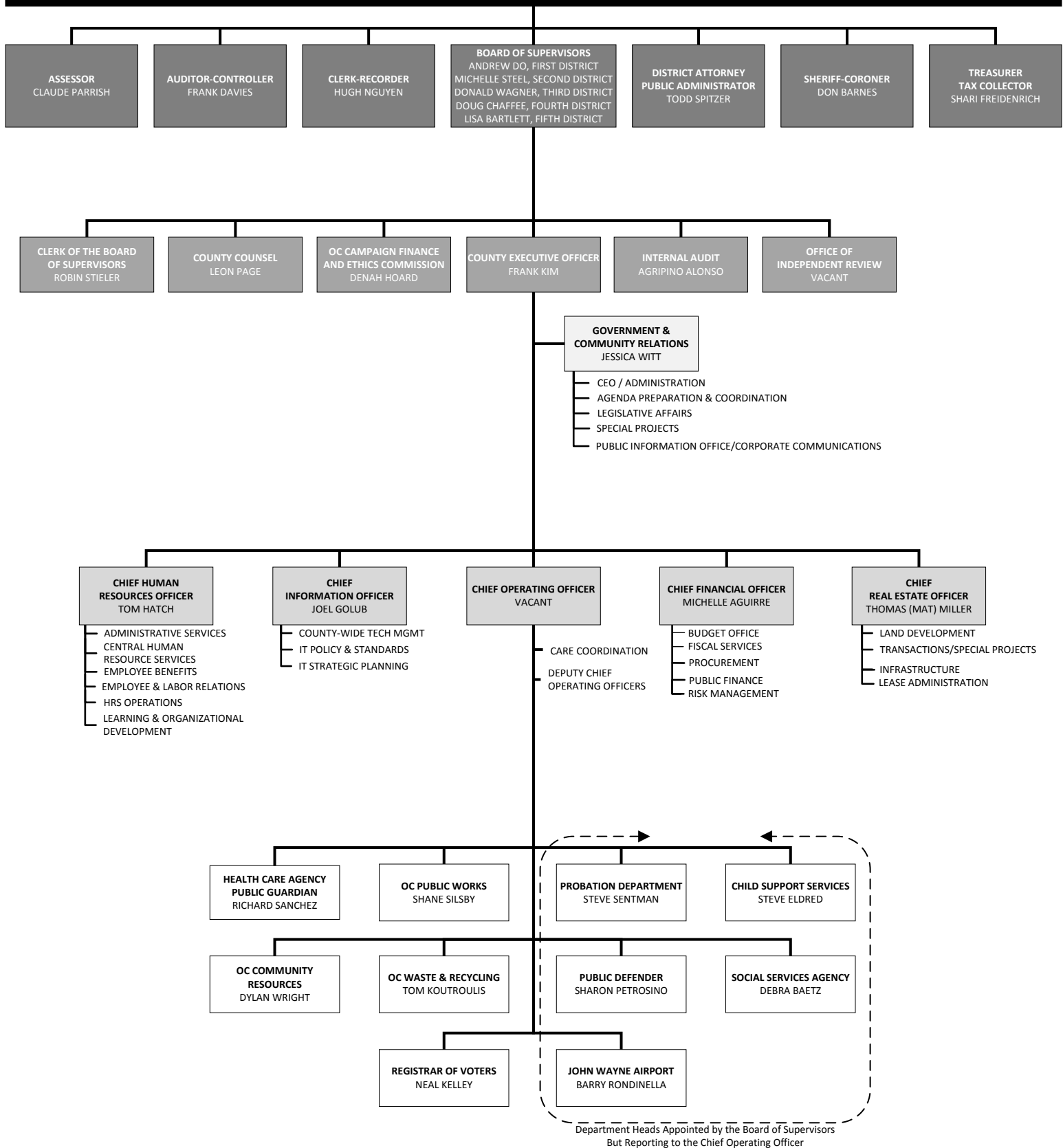
*Christopher P. Morill*

Executive Director/CEO



# County of Orange Organizational Chart

## PEOPLE OF ORANGE COUNTY









*Olinda Alpha Landfill*







## 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, 2019, 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 collectively represents 97%, 96%, and 99%, 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, based on our audit and the report of other auditors, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statements 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 on pages 20 through 40 and the schedules for the Orange County Employees Retirement System (OCERS) plan, Orange County Extra-Help Defined Benefit plan, and 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 basic 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 16, 2019 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 16, 2019



*Olinda Alpha Landfill*







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

This section of the County's Comprehensive Annual Financial Report (CAFR) provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2019. 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 \$62,373 for the fiscal year, and it increased net position by 3% from prior year.
- Long-term debt obligations increased by \$137,972 or 29% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of \$2,652,021, an increase of \$152,516 or 6% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 3% below budget.
- General Fund expenditures and other financing uses ended the year 5% 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, 2019, the County's combined net position (governmental and business-type activities) totaled \$2,527,108 an increase of 3% from FY 2017-18.

The largest component of the County's net position, which totals \$3,986,295 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  
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For the Year Ended June 30, 2019  
(Dollar Amounts in Thousands)

The County's **restricted** net position of \$1,632,034 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. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2019, the County's unrestricted net position totals a deficit of \$3,091,221. Among governmental activities the deficit was \$3,582,580 in unrestricted net position, compared to its deficit of \$3,312,306 at June 30, 2018. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension 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, 2019 and 2018						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and Other Assets	\$ 3,875,987	\$ 3,562,470	\$ 897,628	\$ 867,075	\$ 4,773,615	\$ 4,429,545
Capital Assets	3,243,628	3,147,060	949,383	949,353	4,193,011	4,096,413
<b>Total Assets</b>	<b>7,119,615</b>	<b>6,709,530</b>	<b>1,847,011</b>	<b>1,816,428</b>	<b>8,966,626</b>	<b>8,525,958</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,363,252</b>	<b>1,051,004</b>	<b>30,374</b>	<b>20,411</b>	<b>1,393,626</b>	<b>1,071,415</b>
<b>Total Deferred Outflows of Resources</b>	<b>1,363,252</b>	<b>1,051,004</b>	<b>30,374</b>	<b>20,411</b>	<b>1,393,626</b>	<b>1,071,415</b>
<b>LIABILITIES</b>						
Long-term Liabilities	6,143,569	5,062,307	410,108	435,786	6,553,677	5,498,093
Other Liabilities	783,794	726,617	64,616	73,521	848,410	800,138
<b>Total Liabilities</b>	<b>6,927,363</b>	<b>5,788,924</b>	<b>474,724</b>	<b>509,307</b>	<b>7,402,087</b>	<b>6,298,231</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>423,123</b>	<b>818,737</b>	<b>7,934</b>	<b>15,670</b>	<b>431,057</b>	<b>834,407</b>
<b>Total Deferred Inflows of Resources</b>	<b>423,123</b>	<b>818,737</b>	<b>7,934</b>	<b>15,670</b>	<b>431,057</b>	<b>834,407</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,127,371	3,031,574	858,924	799,668	3,986,295	3,831,242
Restricted	1,587,590	1,433,605	44,444	57,712	1,632,034	1,491,317
Unrestricted	(3,582,580)	(3,312,306)	491,359	454,482	(3,091,221)	(2,857,824)
<b>Total Net Position</b>	<b>\$ 1,132,381</b>	<b>\$ 1,152,873</b>	<b>\$ 1,394,727</b>	<b>\$ 1,311,862</b>	<b>\$ 2,527,108</b>	<b>\$ 2,464,735</b>

As of June 30, 2019, the County's total assets and deferred outflows of resources increased by 8% or \$762,879 during the current fiscal year. Capital assets increased by \$96,598 primarily due to construction projects related to CUF, Building 16 and James A. Musick facility expansion. In addition, there was an increase of \$344,070 in current and other assets, which is primarily attributable to an overall increase in cash and cash equivalents as a result of an increase in SB1 revenue, higher tax apportionments and interest revenue received. Deferred outflows of resources increased by \$322,211, primarily due to an increase in deferred outflows related to pension, 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 2018-19 increased by 10% or \$700,506. Long-term liabilities increased by 19% or \$1,055,584, mainly as a result of the County's proportionate share of the net pension liability and the loan for the Civic Center Facilities Master Plan. Deferred inflows of resources decreased by \$403,350, 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:

<b>CHANGES IN NET POSITION – Primary Government</b> For the Years Ended June 30, 2019 and 2018						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 627,026	\$ 657,083	\$ 329,634	\$ 315,090	\$ 956,660	\$ 972,173
Operating Grants and Contributions	2,289,265	2,175,087	193	272	2,289,458	2,175,359
Capital Grants and Contributions	63,429	123,575	1,424	4,829	64,853	128,404
General Revenues:						
Property Taxes	570,638	542,466	--	--	570,638	542,466
Property Taxes in Lieu of						
Motor Vehicle License Fees	395,809	372,728	--	--	395,809	372,728
Other Taxes	99,965	99,889	10	82	99,975	99,971
Grants and Contributions not Restricted to Specific Programs	2,720	10,757	--	--	2,720	10,757
State Allocation of Motor						
Vehicle License Fees	1,180	1,615	--	--	1,180	1,615
Other General Revenues	96,983	90,553	25,115	9,525	122,098	100,078
<b>Total Revenues</b>	<b>4,147,015</b>	<b>4,073,753</b>	<b>356,376</b>	<b>329,798</b>	<b>4,503,391</b>	<b>4,403,551</b>
<b>EXPENSES</b>						
General Government	221,830	196,233	--	--	221,830	196,233
Public Protection	1,650,165	1,475,626	--	--	1,650,165	1,475,626
Public Ways and Facilities	172,970	151,779	--	--	172,970	151,779
Health and Sanitation	715,343	656,234	--	--	715,343	656,234
Public Assistance	1,193,705	1,102,747	--	--	1,193,705	1,102,747
Education	52,323	48,412	--	--	52,323	48,412
Recreation and Cultural Services	139,183	123,798	--	--	139,183	123,798
Interest on Long-Term Debt	30,910	25,741	--	--	30,910	25,741
Airport	--	--	136,075	124,466	136,075	124,466
OC Waste & Recycling	--	--	128,354	125,472	128,354	125,472
Compressed Natural Gas	--	--	160	299	160	299
<b>Total Expenses</b>	<b>4,176,429</b>	<b>3,780,570</b>	<b>264,589</b>	<b>250,237</b>	<b>4,441,018</b>	<b>4,030,807</b>
Excess before Transfers	(29,414)	293,183	91,787	79,561	62,373	372,744
Transfers	8,922	10,767	(8,922)	(10,767)	--	--
<b>Change in Net Position</b>	<b>(20,492)</b>	<b>303,950</b>	<b>82,865</b>	<b>68,794</b>	<b>62,373</b>	<b>372,744</b>
Net Position-Beginning of the Year	1,152,873	848,923	1,311,862	1,243,068	2,464,735	2,091,991
<b>Net Position-End of the Year</b>	<b>\$ 1,132,381</b>	<b>\$ 1,152,873</b>	<b>\$ 1,394,727</b>	<b>\$ 1,311,862</b>	<b>\$ 2,527,108</b>	<b>\$ 2,464,735</b>



The County's net position increased by \$62,373 during the current fiscal year. Revenues for the year totaled \$4,503,391, an increase of \$99,840 from prior year's total revenues. Expenses totaled \$4,441,018, an increase of \$410,211 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 2018-19, total revenues for governmental activities, including transfers from the business-type activities were \$4,155,937 an increase of \$71,417 from the previous year. Expenses totaled \$4,176,429 an increase of \$395,859 from the prior year. During the current fiscal year, net position for governmental activities decreased by \$20,492 from the prior fiscal year for an ending balance of \$1,132,381. Key elements of the increase are as follows:

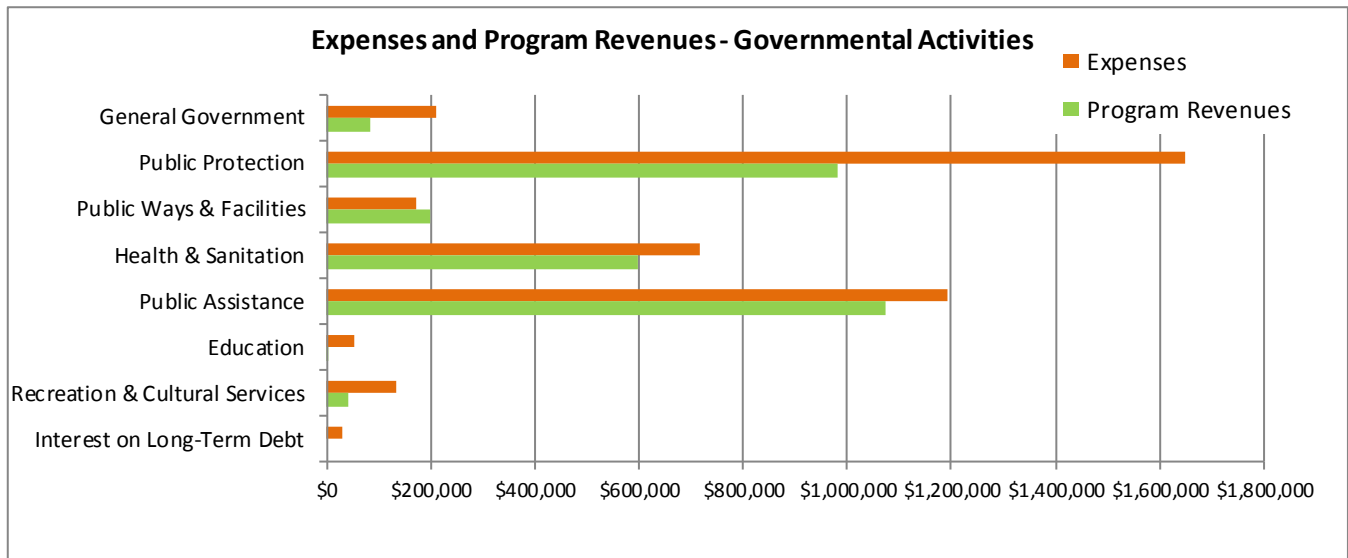
#### Revenues

- Operating grants and contributions increased by \$114,178, primarily due to higher revenue received for social services programs related to welfare services and In-Home Supportive Services (IHSS). In addition, there was an increase in the State allocation of SB1 monies from gas excise and diesel fuel excise taxes which are dedicated for road maintenance and rehabilitation type projects.
- Property taxes in lieu of Vehicle License Fees (VLF) increased by \$23,081, primarily due to growth in secured property tax roll value.
- Property taxes increased by \$28,172, mainly due to an increase in secured assessed values.
- Capital grants and contributions decreased by \$60,146, due to the bond proceeds and construction for the development of CFD, Village of Esencia in FY 17-18. Offsetting this decrease was an increase in revenues related to construction projects for Cow Camp Rd. and La Pata Ave.
- Charges for services decreased by \$30,057, primarily due to a decrease in revenue recognized for the completed 800 MHz Countywide Coordinated Communications System (CCCS) project and Dana Point Harbor operations. Offsetting this decrease was an increase in revenues for Environmental Health and Community Public Health Nursing programs.

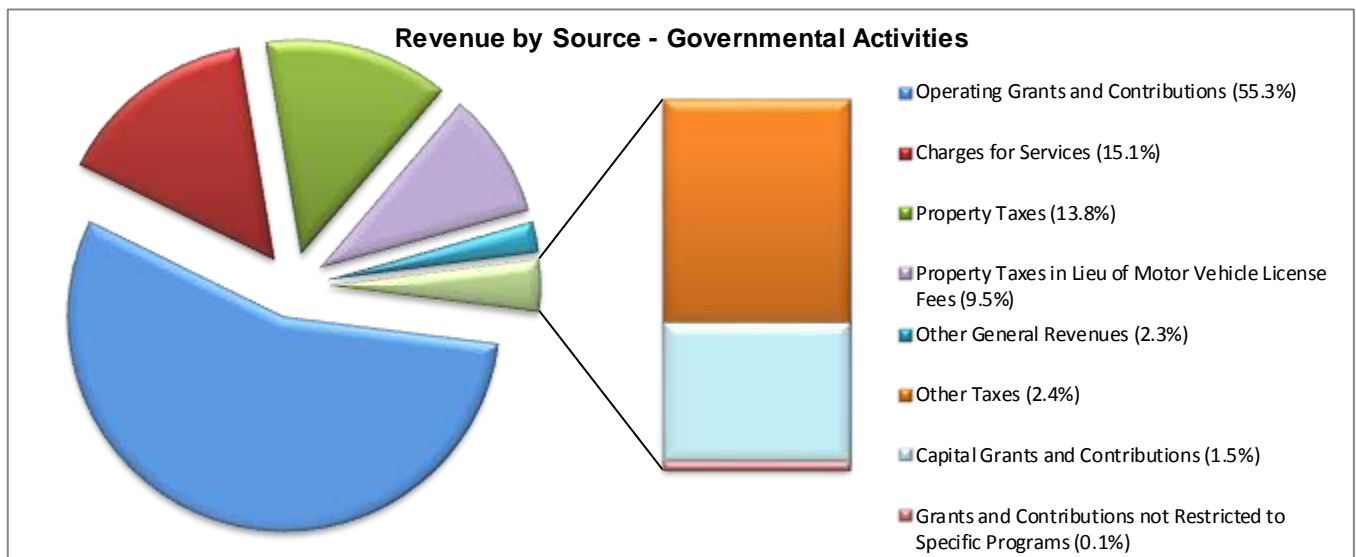
#### Expenses

- Expenses in public protection increased by \$174,539, primarily due to an increase in salaries and employee benefits (S&EB) and pension costs mainly in the Sheriff-Coroner, District Attorney, and Probation departments.
- Expenses in public assistance increased by \$90,958, mainly due to the increase in pension expense and increases in costs for new contracts with cities for the Homeless Emergency Aid Program (HEAP), various social services programs and housing assistance.
- Expenses in health and sanitation increased by \$59,109, primarily due to increases in S&EB and pension costs for additional positions to support ongoing services and an increase in professional services expenses related to Mental Health Services Act (MHSA) programs.

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

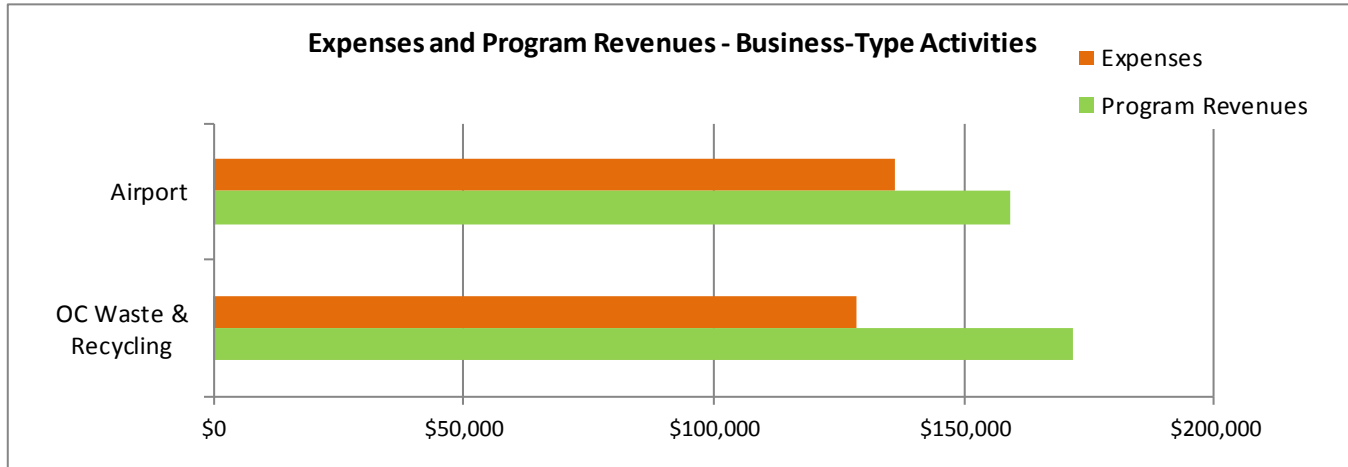


The chart below presents the percentage of total revenues by source for governmental activities:



## Business-Type Activities

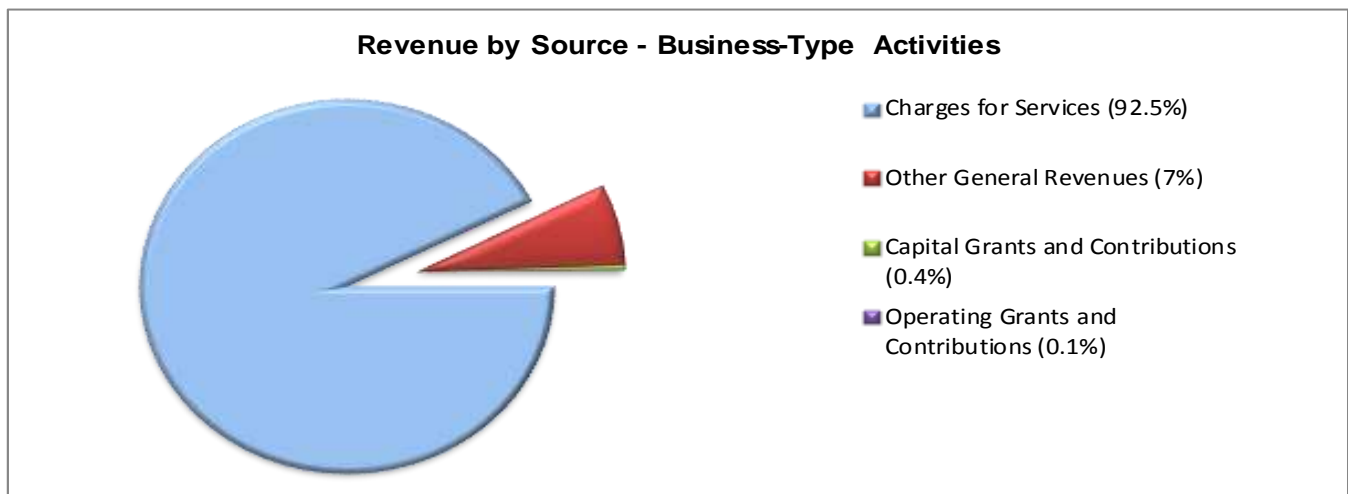
The County has three business-type activities: Airport, OC Waste & Recycling, and CNG. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2018-19, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of \$82,865 in net position compared to the prior year's increase in net position of \$68,794. Revenues totaled \$356,376, an increase of \$26,578 from the previous fiscal year, which is primarily attributable to increases in revenue from OC Waste & Recycling's landfill gas rights, rents and other fees, importation disposal tonnage and fees, in-county disposal tonnage and fees, and interest revenue, as well as the Airport's increase in terminal space rent, revenue from services and interest income.

Expenses, including transfers to governmental activities, totaled \$273,511, representing an increase of \$12,507 from the previous year. This increase is primarily due to OC Waste & Recycling's increases in S&EB, postclosure care costs and taxes and other fees, partially offset by a decrease in professional and specialized services and pollution remediation expenses. The Airport had an increase in S&EB, professional and specialized services, interest expense, depreciation and amortization. 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, 2019, the County's governmental funds reported total fund balances of \$2,652,021, which is an increase of \$152,516 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 years:

<b>GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES For the Years Ended June 30, 2019 and 2018</b>						
	<b>Revenues and Other Financing Sources</b>		<b>Expenditures and Other Financing Uses</b>		<b>Net Change in Fund Balances</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Fund	\$ 3,382,454	\$ 3,345,890	\$ 3,400,499	\$ 3,288,004	\$ (18,045)	\$ 57,886
Flood Control District	194,368	149,683	146,280	179,023	48,088	(29,340)
Other Public Protection	62,121	94,382	52,662	81,515	9,459	12,867
Mental Health Services Act	168,334	169,546	200,386	178,523	(32,052)	(8,977)
Other Governmental Funds	1,204,481	849,433	1,059,415	960,833	145,066	(111,400)
<b>Total</b>	<b>\$ 5,011,758</b>	<b>\$ 4,608,934</b>	<b>\$ 4,859,242</b>	<b>\$ 4,687,898</b>	<b>\$ 152,516</b>	<b>\$ (78,964)</b>

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

#### **General Fund**

The General Fund is the chief operating fund of the County. At the end of FY 2018-19, revenues and other financing sources were less than the expenditures and other financing uses resulting in a decrease in fund balance of \$18,045 compared to last year's increase of \$57,886. Revenues and other financing sources increased by \$36,564 and expenditures and other financing uses increased by \$112,495. The following is a brief summary of the primary factors that contributed to the decrease in the net change in fund balance for the General Fund in FY 2018-19:

#### **Revenues**

- Taxes increased by \$37,048, primarily due to increases in secured property taxes and property taxes in-lieu of VLF resulting from an increase in secured assessed values.
- Use of money and property increased by \$19,143, primarily due to an increase in interest revenue as a result of higher interest rates.
- Intergovernmental revenues increased by \$5,637, mainly due to an increase in the State allocation for the homeless emergency aid program grant to be distributed to cities, higher payments received for the CalWorks

assistance and IHSS programs. Partially offsetting the increase was a decrease in payments from the State for Senate Bill 90 (SB90) claims.

- Transfers to the General Fund decreased by \$28,732 due to less transfers for multi-year IT capital projects, decreases in Social Services Agency (SSA) Wraparound program, and a lower surplus payment from the 2005 Lease Revenue Bonds due to their retirement. Partially offsetting this decrease was an increase in Prop 63 drawdowns for MHSA.

#### Expenditures

- Expenditures for public assistance increased by \$39,465, primarily due to increases in costs for new contracts with the cities for HEAP program, various social services programs such as CalWORKs, IHSS, Foster Care, and housing assistance programs. In addition, there was also an increase in S&S in SSA for facility improvement at the Anaheim Regional Center.
- Expenditures in public protection increased by \$37,552. Factors contributing to this increase were ongoing operational cost increases in the Sheriff-Coroner's Department for S&EB, workers' compensation insurance, property & liability insurance, and S&S. There were also S&EB increases for the District Attorney due to additional positions added to support the department's IT modernization and to handle increased workload for the Worker's Compensation Insurance claims.
- Expenditures for health and sanitation increased by \$30,627, which was primarily attributable to the purchase of the Anita building for use as a centralized campus for behavior health services. There were also increases in S&EB for Health Care Agency (HCA) due to additional positions added to support Behavioral Health and Correctional Health 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 2018-19, there was an increase in fund balance of \$48,088 compared to last year's decrease of \$29,340. Revenues and other financing sources increased by \$44,685, mainly due to increases in intergovernmental revenues related to Santa Ana River (SAR) Subvention claims, uses of money and property due to an increase in interest revenue, and other revenues due to the sale of the Honda Center parking lot. Expenditures and other financing uses decreased by \$32,743, primarily due to decreases in construction costs for the San Juan Creek and the Fullerton Creek channels.

#### Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2018-19, there was an increase in fund balance of \$9,459 compared to last year's increase of \$12,867. Revenues and other financing sources decreased by \$32,261, which was primarily attributable to the completed upgrade of the 800 MHz CCCS. Expenditures and other financing uses decreased by \$28,853, mainly for the 800 MHz CCCS's upgrade costs, which were funded by 34 cities, County departments, other public transportation and police departments.

#### Mental Health Services Act (MHSA)

This fund accounts for MHSA revenues earned by the Health Care Agency (HCA) that are purpose restricted. At the end of FY 2018-19, fund balance decreased by \$32,052 compared to last year's decrease of \$8,977. Revenues and other financing sources decreased by \$1,212, primarily due to lower allocation from the State for approved mental health services. This decrease was offset by an increase in interest revenue due to higher interest rate yields. Expenditures increased by \$21,863, primarily due to an increase in transfers out to the General Fund for eligible reimbursement of MHSA related services and for the purchase of the OC Regional Wellness Hub.

#### 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 2018-19, fund balances increased by \$145,066 in comparison to prior year's decrease of \$111,400. Revenues and other financing sources increased by \$355,048, primarily due to loan proceeds from the California Municipal Finance Authority (CMFA) for the construction costs of the Building 14, County Administration North (CAN). Expenditures and other financing uses increased by \$98,582, primarily due to an increase in transfers out for projects such as the Civic Center Facilities Master Plan construction, the Cow Camp Road Segment 2, the OSO Parkway Bridge, the South County Probation Office, and the James A. Musick facility expansion phase 1 and 2.

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

<b>COMPARATIVE FUND BALANCE</b>				
<b>Governmental Funds</b>				
<b>June 30, 2019 and 2018</b>				
	<b>2019</b>	<b>2018</b>	<b>Increase/(Decrease) %</b>	
General Fund	\$ 790,733	\$ 808,778	(2)%	
Flood Control District	457,300	409,212	12 %	
Other Public Protection	165,623	156,164	6 %	
Mental Health Services Act	215,930	247,982	(13)%	
Other Governmental Funds	1,022,435	877,369	17 %	
<b>Total</b>	<b>\$ 2,652,021</b>	<b>\$ 2,499,505</b>	<b>6 %</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 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 years:

<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, 2019 and 2018</b>						
	<b>Revenues, Contributions and Transfers</b>		<b>Expenses and Transfers</b>		<b>Change in Fund Net Position</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Airport	\$ 167,574	\$ 161,700	\$ 135,589	\$ 124,751	\$ 31,985	\$ 36,949
OC Waste & Recycling	189,300	168,105	137,710	136,792	51,590	31,313
Compressed Natural Gas	120	348	160	380	(40)	(32)
<b>Total</b>	<b>\$ 356,994</b>	<b>\$ 330,153</b>	<b>\$ 273,459</b>	<b>\$ 261,923</b>	<b>\$ 83,535</b>	<b>\$ 68,230</b>

#### Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2018-19, there was an increase of \$31,985 in fund net position compared to the prior year increase of \$36,949. Revenues, contributions and transfers increased by \$5,874, primarily due to an increase in terminal space rent, revenue from services, and interest income, partially offset by a decrease in capital grants contributions from the Federal Aviation Administration and auto parking revenue. Expenses increased by \$10,838, mainly due to an increase in professional and specialized services, S&EB, depreciation and amortization and interest expense.

#### 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 2018-19, there was an increase of \$51,590 in fund net position compared to the prior year increase of \$31,313. Revenues, contributions and transfers increased by \$21,195, 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 \$918, primarily due to an increase in S&EB, landfill site closure and post-closure care costs and taxes and other fees. These increases were offset by a decrease in S&S, and pollution remediation expenses.

#### 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 since electric and plug-in hybrid cars are taking over the CNG powered vehicles. At the end of FY 2018-19, there was a decrease of \$40 in fund net position compared to the prior year decrease of \$32. Revenues decreased by \$228 due to less CNG fuel sales and CNG/Propane tax refunds and credits received. Expenditures decreased by \$220 due to a decrease in monthly maintenance, repairs and services, and a decrease in transfers out due to the last reimbursement payment in FY 17-18 to the OCFCD Fund.

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 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 \$26,737 in the Miscellaneous budget due to the anticipation of SB90 claims reimbursement related to AB 3632 services for seriously emotionally disturbed children from the State for prior and current fiscal year claims.
- An increase of \$17,517 in OC Community Resources due to additional funding for the California Emergency Solutions and Housing and HEAP.
- An increase of \$7,584 in SSA to align with the FY 2018-19 State and Federal allocations and grants for various programs including Medi-Cal, CalFresh and CalWORKs.
- An increase of \$3,500 in Capital Projects due to a contribution from the City of Santa Ana for the relocation of the Courtyard.

#### Transfers In

- An increase of \$7,367 in Capital Projects mainly due to the additional funding of Facilities Master Plan and San Clemente Radio site projects.
- An increase of \$7,158 in HCA from various sources, including MHSA, HCA Interest Bearing Purpose Restricted Revenue, and Bioterrorism CDC funds to support ongoing program costs.
- A decrease of \$6,000 from the Teeter Tax Loss Reserve Fund, which was determined to be unnecessary.
- An increase of \$4,959 in the Sheriff-Coroner Department primarily from Regional Narcotics Suppression Program, Sheriff Narcotics Program, Prop 69-DNA Identification and Sheriff's State Criminal Assistance Program to cover costs related to the tracking and collection of criminal activity information and to support the cost of prosecution services.
- An increase of \$3,750 in the Miscellaneous budget for the General Fund share of the OC Flood parcel sale.
- An increase of \$3,213, primarily from the Countywide Capital Projects Non-General Fund mainly for the funding of the Central Utility Facility.
- An increase of \$2,633 in the District Attorney primarily from the Excess Public Safety Sales Tax, Consumer Protection, Prop 69-DNA Identification and Real Estate Prosecution Funds to meet current operational needs and to support the Department's IT modernization.

## 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:

### Transfers In

- A \$70,665 less than budgeted amount was primarily comprised of the following:
  - \$26,146 less received in HCA due to lower than expected drawdowns in the MHSA Fund and OC Tobacco Settlement Revenue.
  - \$19,608 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.
  - \$5,466 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.
  - \$5,066 less received in Sheriff-Coroner due to lower transfers from Prop 69-DNA Identification Fund and Sheriff Narcotics Program. Additionally, less transfers were received from Countywide Capital Projects Non-General Fund mainly for the Automated Jail System.
  - \$4,951 less received in Capital Projects from the Countywide Capital Projects Non-General Fund due to a delay in the OC Regional Wellness Hub project.

### Intergovernmental

- A \$26,431 less than budgeted amount was primarily comprised of the following:
  - \$15,194 less received in SSA primarily due to lower eligible expenditures for program claims as a result of higher than anticipated staffing vacancies and lower contract services.
  - \$11,944 less received in OC Community Resources due to less than expected revenue for Homeless Prevention, Office on Aging and Community Investment programs.
  - \$10,615 less due to a decrease in Substance Abuse Prevention and Treatment revenue, offset by an increase in Federal Drug Medical revenue.
  - \$3,500 less received in Capital Projects from the City of Santa Ana for the purchase of the Yale Street Facility for the OC transitional Center.
  - \$3,385 less in State revenue received in HCA due primarily to lower eligible expenditures for Mental Health Services, Substance Use Disorder, TB/Refugee Prevention Health Services, California Children Services and Environmental Health.
  - \$1,996 less received in District Attorney mainly due to a delay in revenue from the State for Insurance Fraud grants.
  - \$1,765 less received in Probation primarily due to lower than anticipated revenue for Juvenile Probation Activities, Juvenile Camp Funding and Youthful Offender Grant programs.
  - \$20,608 more recorded in the County Local Revenue Fund 2011 Law Enforcement Services Account, Behavioral Health and Protective Services Subaccounts due to the accrual of unspent funds.
  - \$2,574 more received in the Sheriff-Coroner due to higher than anticipated revenues from Prop 172 Public Safety Sales Tax.

### Taxes

- A \$13,380 more than budgeted amount was primarily comprised of the following:
  - \$6,308 more in other taxes due to an increase in revenues received for former California Redevelopment Agencies (RDA) residual and pass-through distributions.
  - \$3,990 more in VLF Swap property taxes resulting from an increase in secured assessed values.
  - \$2,364 more in current secured property taxes resulting from an increase in secured assessed values.

### Charges for Services

- A \$11,435 less than budgeted amount was primarily comprised of the following:
  - \$6,343 less received in OC Community Resources primarily due to lower than expected revenues for Animal Control services, Community Investment Division and various administrative services.
  - \$5,497 less received in OCPW due to lower than expected revenue for planning permits, County surveyor and lower than budgeted reimbursable costs.



- \$4,141 less received in the Sheriff-Coroner due to lower than expected revenues for law enforcement services, Theo Lacy, James A. Musick and the Men's Central Jail facilities.
- \$7,820 more received in HCA due to an increase in TB/Refugee Health Services, Community Public Health Nursing, Substance Use Disorder and other services under MHSA.

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

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

##### Sheriff-Coroner

- An increase of \$32,255 to meet current year operational needs due to unanticipated higher costs for S&EB, S&S associated with providing expanded law enforcement services and added positions for enhanced patrol.

##### OC Community Resources

- An increase of \$27,903, primarily due to the increase in S&S for Office on Aging, capital projects for homeless shelter, homeless outreach programs, CA Emergency Solutions and Housing, and State Homeless Emergency Aid Program.

##### Miscellaneous

- A decrease of \$25,311, mainly due to a decrease in appropriations for contingencies to adjust for the General Fund balancing in the County Executive Office and Capital Projects.

##### Capital Projects

- An increase of \$23,004 due to the anticipation of an increase in transfers out to the Countywide Capital Projects Non-General Fund for the re-budget of multi-year projects and various other projects, such as the purchase of the Yale Street Facility and the replacement of air handlers at the County Operations Center.

##### Sheriff Court Operations

- An increase of \$11,079 to meet current year operational needs due to unanticipated higher costs for S&EB associated with providing court and civil process services.

##### Health Care Agency

- An increase of \$10,411 in budgeted appropriations primarily to allow for temporary shelter care, the re-budget of multi-year capital projects, and the purchase of the Electronic Health Record System.

##### Social Services Agency

- An increase of \$10,346 to cover for the costs of S&EB, purchase of office equipment, HVAC, roof replacement and other capital projects.

#### **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:

##### Social Services Agency

- \$38,124 less than budgeted amount primarily due to lower than anticipated expenditures for S&EB and contracted services related to CalWORKs Welfare-to-Work, Community Partnership and Foster Care Wraparound programs, as well as lower expenditures for IT professional services.

##### Health Care Agency

- \$35,269 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.

Capital Projects

- \$20,885 less than budgeted amount was primarily the result of lower than anticipated expenditures related to various structure and improvement projects such as the replacement of emergency generators, various jail renovations, OC Regional Wellness Hub and Yale Street facility.

OC Community Resources

- \$17,513 less than budgeted amount mainly due to lower expenditures for S&EB and S&S for Homeless Services, the Year-Round Emergency Shelter and Multi Service Center, Santa Ana Courtyard Transitional Homeless Center, Office on Aging and Community Investment programs.

Sheriff-Coroner

- \$10,439 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.

OC Public Works

- \$10,131 less than budgeted amount due to S&EB savings resulting from vacant positions, delayed or deferred maintenance or improvement projects, and a decrease in professional and specialized contracted services.

District Attorney

- \$8,623 less than budgeted amount mainly as a result of lower expenditures for S&EB, professional and specialized contracted services, transportation and travel, as well as a reduction in office expenses and the deferral of IT hardware purchases.

Property Tax System Centralized O & M Support

- \$5,571 less than budgeted amount primarily due to lower expenditures than estimated for the modernization of the legacy property tax system and CEO IT billing.

**Capital Assets**

At June 30, 2019, the County's capital assets for both the governmental and business-type activities amounted to \$4,193,011 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 2%.

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

CAPITAL ASSETS (Net of Accumulated Depreciation) June 30, 2019 and 2018							
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2019	2018	2019	2018	2019	2018	% Change
Land	\$ 855,763	\$ 850,659	\$ 38,379	\$ 38,339	\$ 894,142	\$ 888,998	1 %
Structures and Improvements	649,912	654,228	550,660	459,357	1,200,572	1,113,585	8 %
Land Improvements	3,319	3,529	--	--	3,319	3,529	(6)%
Equipment	174,904	173,717	38,332	34,541	213,236	208,258	2 %
Software	39,832	37,932	3,142	2,615	42,974	40,547	6 %
Infrastructure	1,235,355	1,201,381	302,063	230,555	1,537,418	1,431,936	7 %
Intangible in Progress	13,610	14,786	291	749	13,901	15,535	(11)%
Land Use Rights	6,439	3,999	--	--	6,439	3,999	61 %
Construction in Progress	264,494	206,829	16,516	183,197	281,010	390,026	(28)%
<b>Total</b>	<b>\$ 3,243,628</b>	<b>\$ 3,147,060</b>	<b>\$ 949,383</b>	<b>\$ 949,353</b>	<b>\$ 4,193,011</b>	<b>\$ 4,096,413</b>	<b>2 %</b>

The following lists the significant capital asset expenditures in FY 2018-19:

#### General Fund

- \$12,964 for the purchase of the Yale Street facility to provide community services in Central Orange County
- \$1,896 for the replacement of air handlers at the County Operations Center-Building B
- \$1,494 for the purchase of telecommunication equipment and computer equipment for the Sheriff-Coroner
- \$1,408 for the Property Tax System Re-platforming Project
- \$1,360 for the purchase of IT equipment and software license for the MHSA
- \$1,222 for HCA 17th Street building renovations
- \$1,012 for the construction costs associated with the Year-Round Emergency Shelter and Multi-Service Center
- \$1,006 for the replacement of HVAC units at the Orangewood Children and Family Center

#### Flood Control District

- \$7,832 for the San Juan Creek Channel Project
- \$6,913 for the Fullerton Creek Channel Project
- \$3,351 for the San Diego Sediment Removal Project
- \$2,345 for the Barranca Channel, Phase 2 Construction Project
- \$2,008 for the maintenance of the Prima Deshecha Channel
- \$1,917 for the purchase of property for the Santa Ana River Mainstem Project and Prado Dam Project
- \$1,671 for the purchase of materials for the Santa Ana River Trail Realignment Project
- \$1,096 for the Lane Channel Improvements

#### Other Public Protection

- \$3,646 for the purchase of an airvan for the Regional Narcotics Suppression Program

#### Other Governmental Funds

- \$82,183 for the Civic Center Facilities Master Plan, Building 16 Construction Project
- \$8,267 for the Edinger Avenue Bridge Replacement over Bolsa Chica Channel Project
- \$7,075 for the Civic Center Facilities Master Plan, Building 14 Construction Project
- \$4,210 for the construction of the Probation Department's South County Regional Office
- \$3,366 for improvements on Live Oak Canyon Road, El Toro Road, and Santiago Canyon Road
- \$2,819 for the James A. Musick Facility Master Plan, Phase I Project
- \$2,484 for the Brea Boulevard/Brea Canyon Road Project

- \$2,389 for the CUF Infrastructure Upgrade Project
- \$2,312 for the James A. Musick Facility Master Plan, Phase II Project

#### Airport

- \$4,375 for the Terminal Improvements Project
- \$2,528 for the Taxiway "B" Resurfacing Project
- \$1,803 for the replacement of Terminal A & B Air Handlers

#### OC Waste & Recycling

- \$14,325 for the Prima Zone 1 Phase D Mass Excavation & Liner
- \$5,688 for the purchase of heavy equipment at the Central Regional Landfill
- \$5,587 for the Olinda Alpha Landfill Front Slope Improvement Project
- \$3,000 for the purchase of heavy equipment at the North Regional Landfill
- \$1,246 for the Frank R. Bowerman Landfill Soil Buttress and Composite Liner Construction Project

#### Internal Service Funds

- \$6,874 for the purchase of vehicles for OC Fleet Services
- \$4,091 for the Cooling Plant Refresh Project
- \$2,421 for the installation of network hardware and equipment at CAS Building

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 2018-19, significant commitments for capital expenditures included the following:

- \$183,038 for the Civic Center Facilities Master Plan, Building 14
- \$28,674 for the Civic Center Facilities Master Plan, Building 16
- \$14,645 for the Fullerton Creek Channel Project
- \$9,428 for the Airport Operations Center
- \$5,755 for the Lane Cannel-U/S Jamboree Rd to D/S Main St Phase I Project
- \$4,191 for the James A. Musick Facility Expansion Phase I Project
- \$3,995 for the purchase of various vehicles
- \$3,852 for the Laguna Canyon Road Segment 4, Phase 2 to 4
- \$3,316 for the James A. Musick Facility Expansion Phase II Project
- \$3,306 for the Terminals Air Handlers Replacement

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, 2019, the County had total debt obligations outstanding of \$607,901 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 increased by 29% which is primarily attributable to the issuance of \$371,845 in bond obligations and \$3,052 in Interest Accretion on Capital Appreciation Bonds (CABs). This was partially offset by the redemption of \$222,488 in bonds obligation and a decrease of \$14,437 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, certificates of participation (COPs), and other forms of debt not covered by the general obligation bonded debt limitation.

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(Dollar Amounts in Thousands)

The following table summarizes the County's long-term debt obligations at June 30, 2019 and 2018:

<b>LONG-TERM DEBT OBLIGATIONS</b>								
June 30, 2019 and 2018								
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Increase (Decrease)</b>	
	<u>2019</u>	<u>2018*</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018*</u>	<u>% Change</u>	
Revenue Bonds	\$ 388,720	\$ 209,945	\$ 85,030	\$ 154,449	\$ 473,750	\$ 364,394	30 %	
Certificates of Participation	--	392	--	--	--	392	(100)%	
Pension Obligation Bonds	5,445	8,217	--	--	5,445	8,217	(34)%	
Teeter Plan Notes (Direct Placement)	29,507	27,247	--	--	29,507	27,247	8 %	
Add: Premium/(Discount)								
on Bonds Payable	60,949	35,343	13,049	(2,250)	73,998	33,093	124 %	
Add: Interest Accretion								
on CABs	25,201	36,586	--	--	25,201	36,586	(31)%	
<b>Total</b>	<b>\$ 509,822</b>	<b>\$ 317,730</b>	<b>\$ 98,079</b>	<b>\$ 152,199</b>	<b>\$ 607,901</b>	<b>\$ 469,929</b>	<b>29 %</b>	

\* The balances shown in FY 2018 were updated to reflect additional lease revenue bonds per GASB Statement No. 88.

The following summarizes the County's long-term debt issuance during FY 2018-19:

**Airport Revenue Refunding Bonds** On May 14, 2019, the Airport issued the Airport Revenue Refunding Bonds, Series 2019A and 2019B in the principal amount of \$85,030, with a premium of \$13,404, to refund the 2009A and 2009B Bonds. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,709. As of June 30, 2019, the outstanding principal amount, including net premium, of the 2019A and 2019B Bonds were \$40,434 and \$57,645, respectively, and the outstanding interest amounts were \$9,644 and \$11,636, respectively.

**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. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling \$212,304 to the Capital Facilities Development Corporation (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.

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.

**Teeter Plan Notes** On July 16, 2018, the County issued its three-year taxable Teeter Plan Notes, Series B for \$61,107 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.

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.

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) and AA+ from Standard & Poor's Global Ratings (S&P).

On November 7, 2018, Fitch Ratings raised the ratings on the County's Issuer Default Rating from AA+ to AAA and the 1997A Pension Obligation Bonds from AA to AA+.

On May 14, 2019, the County issued the Airport Revenue Refunding Bonds Series 2019A and 2019B with an AA-rating from S&P.

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

<b>LONG-TERM DEBT RATINGS</b> June 30, 2019			
	<b>Standard &amp; Poor's</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 partnerships between the County and each of the 34 cities in Orange County is essential to meet the needs of people 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 two emergency shelters, bridge housing, and housing navigation to assist homeless individuals in overcoming barriers as they transition to permanent housing. The County also supports city-led shelter programs through field-based outreach teams that integrate County behavioral health resources.

#### Orange County Vehicle License Fees (VLF)

On June 30, 2011, the Governor signed SB 89, which redirected the County's annual receipt of approximately \$49,000 in VLF revenue (Revenue & Taxation Code Section 11001.5(a)(1) and 11005(a)).

All counties in California receive property taxes in lieu of VLF pursuant to Section 97.70 of the Revenue and Taxation Code as a result of the VLF for property tax swap of 2004. However, in 2004, Orange County's share of property tax in lieu of VLF, which is also known as its "vehicle license fee adjustment amount (VLFAA)," was reduced by approximately \$54,000. This reduction was to offset the amount of VLF the County received until the passage of SB 89, and that had been pledged for the service of bankruptcy related indebtedness at the time that Section 97.70 was adopted in 2004.

The elimination of the County's VLF revenue required the Auditor-Controller to calculate the County's allocation of property taxes in lieu of VLF in a manner consistent with the other 57 counties in the State. Due to the growth in property valuation since 2005, when the VLF Swap was enacted, the calculated property tax in lieu of VLF was \$73,500 for FY 2012-13. This amount was included in the County's budget for FY 2011-12 and 2012-13. In an attempt to deprive the County not only of the \$54,000 in VLF revenue, but also the \$73,500 of annual property tax

revenue that was legally owed, the State Department of Finance initiated litigation to challenge the County's calculation of the VLFAA. Ultimately, the Court ruled in favor of the State.

The Court's ruling resulted in the loss of the \$73,500 VLFAA revenue and a requirement for the County to repay \$150,000 to the State (\$147,000 retained in FYs 2011-12 and 2012-13, plus interest). On September 27, 2013, Assembly Bill (AB) 701 was signed by the Governor to resolve the dispute between the State and the County. AB 701 provides for an additional \$53,000 in annual VLFAA beginning in FY 2013-14, including growth, in lieu of the \$50,000 in property tax revenue previously provided by SB 8 X3, which was a flat amount with no growth. AB 701 provides stability for the County by securing the property tax revenues, including growth, and by allowing for repayment of the \$150,000 over five years. The \$150,000 due to the State was formally set aside in reserve in the FY 2013-14 First Quarter Budget Report. As of June 30, 2019, the obligation to the state is completed. Additional information regarding the County's VLF obligation can be found in Note 11, Long-Term Obligations.

## **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, 2018, the funding ratio for the System is 72.43%, which is an increase from 72.30% in 2017. The System's Unfunded Actuarial Accrued Liability (UAAL) increased from \$5.44 billion to \$5.71 billion. The increase in the UAAL is primarily attributable to unfavorable investment returns (after smoothing) and less than expected actual contributions.

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 7.50% 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.

## **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).





*Olinda Alpha Landfill*







County of Orange  
Comprehensive Annual Financial Report  
June 30, 2019  
(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,563,029	\$ 662,544	\$ 3,225,573	\$ 38,643	\$ 420,340
Restricted Cash and Cash Equivalents	361,450	121,626	483,076	--	300
Investments	--	43,579	43,579	--	1,121,140
Deposits In-Lieu of Cash	--	22,627	22,627	--	--
Internal Balances	(10,881)	10,881	--	--	--
Due from Component Unit	620	--	620	--	--
Due from Primary Government	--	--	--	3	--
Prepaid Costs	354,267	4,914	359,181	--	54,765
Inventory of Materials and Supplies	3,103	--	3,103	--	--
Receivables, Net of Allowances					
Accounts	8,891	23,281	32,172	--	302,964
Taxes	30,211	--	30,211	5,147	--
Interest/Dividends	10,228	3,127	13,355	254	--
Deposits	4,129	--	4,129	3,871	--
Advances	30	--	30	--	--
Leases	90,377	--	90,377	--	--
Due from Other Governmental Agencies, Net	432,889	5,049	437,938	2,504	--
Notes Receivable, Net	27,644	--	27,644	--	--
Capital Assets					
Not Depreciable/Amortizable	1,140,306	55,186	1,195,492	--	6,376
Depreciable/Amortizable, Net	2,103,322	894,197	2,997,519	--	40,249
Total Capital Assets	3,243,628	949,383	4,193,011	--	46,625
Total Assets	7,119,615	1,847,011	8,966,626	50,422	1,946,134
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Charge on Refunding	--	2,641	2,641	--	--
Deferred Outflows of Resources Related to Pension	1,323,378	26,973	1,350,351	124	10,534
Deferred Outflows of Resources Related to OPEB	39,874	760	40,634	32	556
Total Deferred Outflows of Resources	1,363,252	30,374	1,393,626	156	11,090

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	\$ 131,597	\$ 19,090	\$ 150,687	\$ 2,302	\$ 8,659
Salaries and Employee Benefits Payable	50,015	1,079	51,094	31	11,069
Retainage Payable	6,220	1,684	7,904	1,228	--
Interest Payable	5,996	555	6,551	--	--
Deposits from Others	81,251	26,586	107,837	--	--
Due to Primary Government	--	--	--	620	--
Due to Component Unit	3	--	3	--	--
Due to Other Governmental Agencies	36,294	12,417	48,711	3,592	496,691
Unearned Revenue	70,236	3,205	73,441	--	50,147
Short-Term Bonds Payable	402,182	--	402,182	--	--
Long-Term Liabilities					
Due Within One Year					
Interest Accretion on Capital Appreciation Bonds Payable	12,022	--	12,022	--	--
Insurance Claims Payable	61,786	--	61,786	--	--
Medical Claims Payable	--	--	--	--	290,499
Capitation and Withholds	--	--	--	--	108,903
Compensated Employee Absences Payable	103,510	2,356	105,866	64	--
Capital Lease Obligations Payable	7,695	--	7,695	--	--
Bonds Payable	4,666	4,617	9,283	--	--
Pollution Remediation Obligation	--	680	680	--	--
Intangible Assets Obligations Payable	1,348	95	1,443	--	--
Landfill Site Closure/Postclosure Liability	--	3,350	3,350	--	--
Due in More than One Year					
Civic Center Facilities Master Plan Loan	387,644	--	387,644	--	--
Interest Accretion on Capital Appreciation Bonds Payable	13,179	--	13,179	--	--
Insurance Claims Payable	158,286	--	158,286	--	--
Compensated Employee Absences Payable	76,810	1,846	78,656	5	--
Arbitrage Rebate Payable	--	103	103	--	--
Capital Lease Obligations Payable	31,701	--	31,701	--	--
Notes Payable	29,507	--	29,507	--	--
Bonds Payable	62,804	93,462	156,266	--	--
Pollution Remediation Obligation	--	16,801	16,801	--	--
Intangible Assets Obligations Payable	1,291	72	1,363	--	--
Landfill Site Closure/Postclosure Liability	--	176,408	176,408	--	--
Net Pension Liability	4,817,860	103,197	4,921,057	631	23,602
Net OPEB Liability	373,460	7,121	380,581	290	24,705
Total Liabilities	6,927,363	474,724	7,402,087	8,763	1,014,275
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources Related to Pension	351,317	7,934	359,251	1,131	4,904
Deferred Inflows of Resources Related to OPEB	--	--	--	--	2,503
Deferred Inflows for Service Concession Arrangements	71,806	--	71,806	--	--
Total Deferred Inflows of Resources	423,123	7,934	431,057	1,131	7,407
<b>NET POSITION</b>					
Net Investment in Capital Assets	3,127,371	858,924	3,986,295	--	46,580
Restricted for:					
Expendable					
Pension Benefits	143,647	--	143,647	--	--
Capital Projects	212,897	--	212,897	--	--
Debt Service	28,370	2,029	30,399	--	--
Legally Segregated for Grants and Other Purposes	1,202,317	--	1,202,317	--	--
Regional Park Endowment	159	--	159	--	--
CalOptima	--	--	--	--	84,930
Passenger Facility Charges Approved Capital Projects	--	3,282	3,282	--	--
Capital Projects-Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	28,531	28,531	--	--
Landfill Corrective Action	--	8,619	8,619	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	200	--	200	--	--
Unrestricted (Deficit)	(3,582,580)	491,359	(3,091,221)	40,684	804,032
Total Net Position	\$ 1,132,381	\$ 1,394,727	\$ 2,527,108	\$ 40,684	\$ 935,542

County of Orange  
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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	\$ 255,798	\$ (33,968)	\$ 47,508	\$ 35,683	\$ 37
Public Protection	1,630,775	19,390	319,248	649,739	13,562
Public Ways and Facilities	175,448	(2,478)	52,334	97,704	48,821
Health and Sanitation	709,460	5,883	132,172	464,319	--
Public Assistance	1,186,395	7,310	40,158	1,033,365	--
Education	51,591	732	1,100	1,951	--
Recreation and Cultural Services	137,068	2,115	34,506	6,504	1,009
Interest on Long-Term Debt	30,910	--	--	--	--
Total Governmental Activities	4,177,445	(1,016)	627,026	2,289,265	63,429
Business-Type Activities					
Airport	135,545	530	157,785	151	1,424
OC Waste & Recycling	127,880	474	171,741	42	--
Compressed Natural Gas	148	12	108	--	--
Total Business-Type Activities	263,573	1,016	329,634	193	1,424
Total Primary Government	\$ 4,441,018	\$ --	\$ 956,660	\$ 2,289,458	\$ 64,853
<b>Component Units</b>					
Children and Families					
Commission of Orange County	\$ 27,065	\$ --	\$ --	\$ 26,433	\$ --
CalOptima	3,347,247	--	3,474,634	43,676	--
Total Component Units	\$ 3,374,312	\$ --	\$ 3,474,634	\$ 70,109	\$ --

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						
\$	(138,602)	\$	--	\$	--	General Government
	(667,616)		--		--	Public Protection
	25,889		--		--	Public Ways and Facilities
	(118,852)		--		--	Health and Sanitation
	(120,182)		--		--	Public Assistance
	(49,272)		--		--	Education
	(97,164)		--		--	Recreation and Cultural Services
	(30,910)		--		--	Interest on Long-Term Debt
	(1,196,709)		--		--	Total Governmental Activities
Business-Type Activities						
	--	23,285	--		--	Airport
	--	43,429	--		--	OC Waste & Recycling
	--	(52)	--		--	Compressed Natural Gas
	--	66,662	--		--	Total Business-Type Activities
	(1,196,709)	66,662	--		--	Total Primary Government
Component Units						
Children and Families						
			(632)	--		Commission or Orange County
			-	171,063		CalOptima
			(632)	171,063		Total Component Units
General Revenues						
Taxes						
320,395	--	320,395	--	--	--	Property Taxes, Levied for General Fund
110,529	--	110,529	--	--	--	Property Taxes, Levied for Flood Control District
85,640	--	85,640	--	--	--	Property Taxes, Levied for OC Parks
54,074	--	54,074	--	--	--	Property Taxes, Levied for OC Public Libraries
395,809	--	395,809	--	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
99,965	10	99,975	--	--	--	Other Taxes
2,720	--	2,720	--	--	--	Grants and Contributions Not Restricted to Specific Programs
1,180	--	1,180	--	--	--	State Allocation of Motor Vehicle License Fees
44,170	24,941	69,111	1,188	--	--	Unrestricted Investment Earnings
52,813	174	52,987	2,681	--	--	Miscellaneous
8,922	(8,922)	--	--	--	--	Transfers
1,176,217	16,203	1,192,420	3,869	--	--	Total General Revenues and Transfers
(20,492)	82,865	62,373	3,237	171,063	--	Change in Net Position
1,152,873	1,311,862	2,464,735	37,447	764,479	--	Net Position-Beginning of Year
\$ 1,132,381	\$ 1,394,727	\$ 2,527,108	\$ 40,684	\$ 935,542	--	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	\$ 674,798	\$ 472,554	\$ 179,603
Cash/Cash Equivalents	--	--	9,543
Imprest Cash Funds	1,838	--	--
Restricted Cash and Investments with Trustee	37	--	--
Receivables			
Accounts	9,781	376	65
Taxes	5,986	1,491	--
Interest/Dividends	3,527	1,763	747
Deposits	537	2,969	--
Advances	30	--	--
Allowance for Uncollectible Receivables	(3,362)	(229)	--
Due from Other Funds	105,248	1,705	704
Due from Component Unit	620	--	--
Due from Other Governmental Agencies, Net	348,176	23,687	4,228
Inventory of Materials and Supplies	1,995	321	396
Prepaid Costs	394,546	5,412	1,254
Notes Receivable, Net	--	--	--
Total Assets	<u>\$ 1,543,757</u>	<u>\$ 510,049</u>	<u>\$ 196,540</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 53,439	\$ 6,327	\$ 218
Retainage Payable	1,068	2,918	3
Salaries and Employee Benefits Payable	46,603	664	150
Interest Payable	5,300	--	--
Deposits from Others	1,570	7,620	17,631
Due to Other Funds	47,619	10,808	6,871
Due to Component Unit	--	--	--
Due to Other Governmental Agencies	21,645	2,918	4,926
Unearned Revenue	45,037	1,265	--
Bonds Payable	402,182	--	--
Advances from Other Funds	370	--	--
Total Liabilities	<u>624,833</u>	<u>32,520</u>	<u>29,799</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable Revenue-Intergovernmental Revenues	100,960	14,469	1,118
Unavailable Revenue-Senate Bill 90 Mandated Claims, Net	5,556	--	--
Unavailable Revenue-Property Taxes	7,403	5,760	--
Unavailable Revenue-Other	14,272	--	--
Total Deferred Inflows of Resources	<u>128,191</u>	<u>20,229</u>	<u>1,118</u>
<b><u>FUND BALANCES</u></b>			
Nonspendable	396,541	5,733	1,650
Restricted	49,989	451,567	163,973
Assigned	147,686	--	--
Unassigned	196,517	--	--
Total Fund Balances	<u>790,733</u>	<u>457,300</u>	<u>165,623</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,543,757</u>	<u>\$ 510,049</u>	<u>\$ 196,540</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
\$ 229,183	\$ 728,981	\$ 2,285,119
--	--	9,543
--	45	1,883
--	361,413	361,450
--	1,959	12,181
--	22,734	30,211
897	2,394	9,328
--	623	4,129
--	--	30
--	(88)	(3,679)
--	56,238	163,895
--	--	620
19,727	36,513	432,331
--	--	2,712
--	15,785	416,997
--	27,644	27,644
<u>\$ 249,807</u>	<u>\$ 1,254,241</u>	<u>\$ 3,754,394</u>

**ASSETS**

Pooled Cash/Investments
Cash/Cash Equivalents
Imprest Cash Funds
Restricted Cash and Investments with Trustee
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

\$ --	\$ 39,089	\$ 99,073
--	2,010	5,999
--	2,046	49,463
--	67	5,367
--	54,430	81,251
33,874	55,980	155,152
--	3	3
--	6,802	36,291
--	23,934	70,236
--	--	402,182
--	34,712	35,082
<u>33,874</u>	<u>219,073</u>	<u>940,099</u>

**LIABILITIES**

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

3	11,776	128,326
--	--	5,556
--	935	14,098
--	22	14,294
<u>3</u>	<u>12,733</u>	<u>162,274</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

--	15,985	419,909
215,930	826,311	1,707,770
--	180,139	327,825
--	--	196,517
<u>215,930</u>	<u>1,022,435</u>	<u>2,652,021</u>
<u>\$ 249,807</u>	<u>\$ 1,254,241</u>	<u>\$ 3,754,394</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 (\$1,519,640) 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	\$ 2,652,021
--	--------------

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

Land	855,763	
Structures and Improvements	1,404,572	
Equipment	363,294	
Software	138,913	
Infrastructure	1,905,068	
Land Use Rights (Permanent)	6,439	
Land Improvements	4,256	
Construction in Progress	263,209	
Intangible in Progress	13,610	
Accumulated Depreciation/Amortization	<u>(1,776,092)</u>	3,179,032

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	143,647
Installment Receivables from Service Concession Arrangement	90,377

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.	69,363
--	--------

Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2019. 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 are not technically liabilities at June 30, 2019. 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 and deferred recognition of changes to the net pension	1,099,708
Employer retirement contribution subsequent to measurement date for the net OPEB liability	39,355

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

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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	(208,484)
Deferred Outflows of Resources	208,484

Liabilities for Service Concession Arrangements	(18,579)
---	----------

Deferred Inflows of Resources:

Deferred Inflows of Resources that have been earned but not available to finance expenditures in the current period	162,274
Deferred Inflows of Resources Related to Pension	(348,433)
Deferred Inflows from Service Concession Arrangements	(71,806)

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	(67,470)	
Civic Center Facilities Master Plan Financing	(387,644)	
Teeter Plan Notes Payable	(29,507)	
Compensated Employee Absences Payable	(178,090)	
Capital Lease Obligations Payable	(36,677)	
Intangible Assets Obligations Payable	(2,639)	
Interest Payable on Bonds	(629)	
Interest Accretion on Capital Appreciation Bonds	(25,201)	
County's Net Pension Liability	(4,767,988)	
County's Net OPEB Liability	(368,733)	(5,864,578)

Net Position of Governmental Activities	<u>\$ 1,132,381</u>
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County of Orange  
Comprehensive Annual Financial Report  
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(Dollar Amounts in Thousands)

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	General Fund	Flood Control District	Other Public Protection
Revenues			
Taxes	\$ 760,723	\$ 121,039	\$ --
Licenses, Permits, and Franchises	23,914	101	362
Fines, Forfeitures, and Penalties	38,927	17	7,835
Use of Money and Property	29,555	15,450	8,493
Intergovernmental	1,686,306	30,266	23,946
Charges for Services	471,249	13,579	12,173
Other	19,458	13,701	7,595
Total Revenues	<u>3,030,132</u>	<u>194,153</u>	<u>60,404</u>
Expenditures			
Current			
General Government	229,582	--	--
Public Protection	1,353,355	106,986	24,866
Public Ways and Facilities	35,057	--	--
Health and Sanitation	678,587	--	--
Public Assistance	942,759	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	38,546	31,481	4,585
Debt Service			
Principal Retirement	6,386	69	--
Interest	12,896	1	--
Total Expenditures	<u>3,297,168</u>	<u>138,537</u>	<u>29,451</u>
Excess (Deficit) of Revenues Over Expenditures	(267,036)	55,616	30,953
Other Financing Sources (Uses)			
Transfers In	352,322	215	1,717
Transfers Out	(103,331)	(7,743)	(23,211)
Debt Issued	--	--	--
Loan Issuance	--	--	--
Total Other Financing Sources (Uses)	<u>248,991</u>	<u>(7,528)</u>	<u>(21,494)</u>
Net Change in Fund Balances	(18,045)	48,088	9,459
Fund Balances-Beginning of Year	808,778	409,212	156,164
Fund Balances-End of Year	<u>\$ 790,733</u>	<u>\$ 457,300</u>	<u>\$ 165,623</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
\$ --	\$ 151,447	\$ 1,033,209
--	1,579	25,956
--	17,803	64,582
7,671	63,658	124,827
160,661	342,242	2,243,421
--	41,658	538,659
2	33,752	74,508
<u>168,334</u>	<u>652,139</u>	<u>4,105,162</u>
--	42,140	271,722
--	150	1,485,357
--	117,600	152,657
147	1,571	680,305
--	202,581	1,145,340
--	47,826	47,826
--	114,127	114,127
--	139,338	213,950
--	68,955	75,410
--	30,165	43,062
<u>147</u>	<u>764,453</u>	<u>4,229,756</u>
168,187	(112,314)	(124,594)
--	278,931	633,185
(200,239)	(294,962)	(629,486)
--	61,107	61,107
--	212,304	212,304
<u>(200,239)</u>	<u>257,380</u>	<u>277,110</u>
(32,052)	145,066	152,516
247,982	877,369	2,499,505
<u>\$ 215,930</u>	<u>\$ 1,022,435</u>	<u>\$ 2,652,021</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  
Loan Issuance

Total Other Financing Sources (Uses)

Net Change in Fund Balances

Fund Balances-Beginning of Year

Fund Balances-End of Year

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The Net Change in Fund Balances for governmental funds of \$152,516 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of \$(20,492) 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	\$	152,516
--	----	---------

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	2,881	
Construction in Progress	184,041	
Equipment	19,536	
Software	11,343	
Net of Gains/(Losses) on Capital Assets Dispositions	(16,037)	
Depreciation/Amortization Expense	(123,690)	
Capital Contributions	15,297	93,371

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	(61,107)	
Civic Center Facilities Master Plan Loan Issuance	(212,304)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	10,094	
Teeter Plan Notes Payable	58,847	
Capital Lease Obligations Payable	6,411	(198,059)

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 Property Tax Revenues	27,222 <u>(156)</u>	27,066
--	------------------------	--------

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	42	
Amortization of Deferred Charges	15,204	
Change in Compensated Employee Absences	2,427	
OCERS Investment Gain	8,161	
Estimated Litigation and Claims Expense	55,000	
Interest Accretion on Capital Appreciation Bonds	<u>(3,052)</u>	77,782

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 loss 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 Loss to Governmental Activities, net of Business-Type Activities	(30,096)	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	<u>20,160</u>	(9,936)

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	(38,761)	
OPEB Employer Contribution	<u>50,692</u>	11,931

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	(587,213)	
Pension Employer Contribution	<u>412,052</u>	<u>(175,163)</u>

Change in Net Position of Governmental Activities	<u>\$</u>	<u>(20,492)</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	\$ 747,395	\$ 747,395	\$ 760,775	\$ 13,380
Licenses, Permits, and Franchises	26,398	26,298	23,723	(2,575)
Fines, Forfeitures, and Penalties	34,633	36,249	39,042	2,793
Use of Money and Property	11,314	20,464	21,910	1,446
Intergovernmental	1,712,495	1,780,272	1,753,841	(26,431)
Charges for Services	502,311	512,104	500,669	(11,435)
Other	16,803	18,445	19,941	1,496
Transfers In	395,108	421,748	351,083	(70,665)
Bond Issuance Proceeds	--	100	--	(100)
Total Revenues and Other Financing Sources	3,446,457	3,563,075	3,470,984	(92,091)
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Assessor	39,448	39,448	37,724	1,724
Auditor-Controller	18,788	18,788	15,888	2,900
Board of Supervisors-1st District	1,374	1,374	1,268	106
Board of Supervisors-2nd District	1,358	1,358	1,150	208
Board of Supervisors-3rd District	1,326	1,326	825	501
Board of Supervisors-4th District	1,309	1,309	1,029	280
Board of Supervisors-5th District	1,357	1,357	1,139	218
Capital Acquisition Financing	1,542	1,542	1,528	14
Capital Projects	62,926	85,930	65,045	20,885
CAPS Program	12,623	12,623	11,502	1,121
Clerk of the Board	5,147	5,147	4,830	317
County Counsel	10,117	10,816	10,360	456
County Executive Office	24,112	25,882	23,185	2,697
Data Systems Development Project	11,270	12,944	11,406	1,538
Employee Benefits	2,169	1,811	1,080	731
Human Resources	7,403	7,291	6,073	1,218
Internal Audit	2,294	1,798	1,762	36
IBM Mainframe	2,396	2,396	2,396	--
OCIT Shared Services	2,734	3,234	3,023	211
Miscellaneous	95,217	69,906	68,529	1,377
OC Campaign Finance and Ethics Commission	453	453	415	38
Prepaid Pension Obligation	--	130	4	126
Property Tax System Centralized O & M Support	7,748	10,926	5,355	5,571
Registrar of Voters	16,603	17,887	16,654	1,233
Performance Audit	803	307	3	304
Treasurer-Tax Collector	13,883	12,271	11,147	1,124
Utilities	27,399	27,762	24,342	3,420
Public Protection:				
Alternate Defense	5,780	5,780	5,331	449
Building & Safety	16,967	16,967	13,133	3,834
Child Support Services	58,405	58,405	56,776	1,629
Clerk-Recorder	15,016	15,016	13,375	1,641
Detention Release	1,717	1,717	1,679	38
District Attorney	153,888	157,220	148,597	8,623
District Attorney-Public Administrator	3,514	3,564	3,009	555
Emergency Management Division	3,762	4,028	3,822	206
Grand Jury	590	590	583	7
HCA Public Guardian	5,606	5,606	4,961	645
Juvenile Justice Commission	242	242	120	122
Office of Independent Review	455	407	406	1
Probation	193,020	190,980	187,679	3,301
Public Defender	77,342	77,362	76,393	969
Sheriff-Coroner	707,150	739,405	728,966	10,439
Sheriff Court Operations	55,107	66,186	65,676	510
Trial Courts	67,260	67,392	66,119	1,273
Public Ways and Facilities:				
OC Public Works	60,337	60,337	50,206	10,131
Health and Sanitation:				
Health Care Agency	713,597	724,008	688,739	35,269
OC Watersheds	16,737	16,737	13,245	3,492
Public Assistance:				
OC Community Resources	68,126	96,029	78,516	17,513
Social Services Agency	909,549	919,895	881,771	38,124
Total Expenditures and Other Financing Uses	3,505,966	3,603,889	3,416,764	187,125
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(59,509)	(40,814)	54,220	\$ 95,034
Fund Balances-Beginning of Year	752,180	752,180	752,180	
Fund Balances-End of Year	\$ 692,671	\$ 711,366	\$ 806,400	

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	\$ 119,173	\$ 119,173	\$ 121,068	\$ 1,895
Licenses, Permits, and Franchises	--	--	101	101
Fines, Forfeitures, and Penalties	13	13	17	4
Use of Money and Property	5,203	5,204	11,143	5,939
Intergovernmental	20,128	20,111	31,679	11,568
Charges for Services	14,051	14,051	13,699	(352)
Other	260	12,960	13,360	400
Transfers In	215	324	307	(17)
Total Revenues and Other Financing Sources	<u>159,043</u>	<u>171,836</u>	<u>191,374</u>	<u>19,538</u>
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
OC Flood	232,774	246,683	134,040	112,643
OC Santa Ana River	90	92	92	--
OC Flood-Capital	49,294	49,294	11,794	37,500
Total Expenditures and Other Financing Uses	<u>282,158</u>	<u>296,069</u>	<u>145,926</u>	<u>150,143</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(123,115)	(124,233)	45,448	<u>\$ 169,681</u>
Fund Balances-Beginning of Year	414,415	414,415	414,415	
Fund Balances-End of Year	<u>\$ 291,300</u>	<u>\$ 290,182</u>	<u>\$ 459,863</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	\$ 450	\$ 450	\$ 362	\$ (88)
Fines, Forfeitures, and Penalties	3,231	3,231	7,653	4,422
Use of Money and Property	4,726	4,742	6,665	1,923
Intergovernmental	12,954	17,359	23,186	5,827
Charges for Services	20,480	22,514	14,590	(7,924)
Other	8,012	8,021	7,595	(426)
Transfers In	5,594	11,699	9,749	(1,950)
Total Revenues and Other Financing Sources	55,447	68,016	69,800	1,784
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	--	30	30	--
County Automated Fingerprint Identification	1,666	1,700	1,365	335
Building and Safety-Operating Reserve	661	661	407	254
Narcotic Forfeiture and Seizure	447	497	406	91
Sheriff-Regional Narcotics Suppression Program	7,971	13,884	13,381	503
Motor Vehicle Theft Task Force	3,749	3,759	3,298	461
Regional Narcotic Suppression Program-Dept of Treasury	196	296	291	5
Regional Narcotic Suppression Program-Other	2,713	2,688	1,152	1,536
Clerk Recorder Special Revenue	8,752	8,752	5,115	3,637
Clerk Recorder Operating Reserve	1,050	1,081	1,077	4
Real Estate Prosecution	1,429	1,429	1,095	334
Proposition 64-Consumer Protection	4,454	4,568	1,589	2,979
Proposition 69-DNA Identification	628	1,881	476	1,405
Traffic Violator	1,030	1,126	237	889
Sheriff Narcotics Program-Dept of Treasury	--	255	255	--
Sheriff Narcotics Program-Dept of Justice	385	6,999	425	6,574
Sheriff Narcotics Program-Other	2,097	2,275	154	2,121
Orange County Jail	1,145	386	150	236
Sheriff Narcotics Program-CALMMET-Treasury	1,226	2,303	466	1,837
Sheriff's State Criminal Alien Assistance Program	372	2,648	2,494	154
California Automated Fingerprint Identification Operational Costs	1,885	1,835	1,302	533
California Automated Fingerprint Identification Systems Costs	34,189	35,536	978	34,558
Sheriff's Supplemental Law Enforcement Services	3,720	1,802	1,801	1
District Attorney's Supplemental Law Enforcement Services	1,097	1,097	1,050	47
Excess Public Safety Sales Tax	15	2,268	1	2,267
Sheriff-Coroner Replacement and Maintenance	16,707	17,015	146	16,869
Ward Welfare	136	136	114	22
Sheriff's Substations Fee Program	1,130	1,130	20	1,110
Sheriff Court OPS-Special Collections	1,200	1,737	1,201	536
Jail Commissary	10,744	11,720	8,267	3,453
Inmate Welfare	14,626	15,176	3,701	11,475
Child Support Program Development	2,898	2,898	2,219	679
800 MHz Countywide Coordinated Communications System	13,671	15,080	6,015	9,065
Delta Special Revenue	30	30	6	24
Total Expenditures and Other Financing Uses	142,019	164,678	60,684	103,994
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(86,572)	(96,662)	9,116	\$ 105,778
Fund Balances-Beginning of Year	138,032	138,032	138,032	
Fund Balances-End of Year	\$ 51,460	\$ 41,370	\$ 147,148	

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	\$ 2,500	\$ 2,500	\$ 5,237	\$ 2,737
Intergovernmental	157,148	157,148	160,416	3,268
Other	--	--	2	2
Total Revenues and Other Financing Sources	<u>159,648</u>	<u>159,648</u>	<u>165,655</u>	<u>6,007</u>
<b>Expenditures and Other Financing Uses</b>				
Health & Sanitation:				
Mental Health Services Act	<u>210,770</u>	<u>211,858</u>	<u>200,386</u>	<u>11,472</u>
Total Expenditures and Other Financing Uses	<u>210,770</u>	<u>211,858</u>	<u>200,386</u>	<u>11,472</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(51,122)	(52,210)	(34,731)	<u>\$ 17,479</u>
Fund Balances-Beginning of Year	249,578	249,578	249,578	
Fund Balances-End of Year	<u>\$ 198,456</u>	<u>\$ 197,368</u>	<u>\$ 214,847</u>	

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	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	OC Waste & Recycling	Compressed Natural Gas (Nonmajor)	Total	
<b><u>ASSETS</u></b>					
Current Assets					
Pooled Cash/Investments	\$ 196,137	\$ 452,704	\$ 13	\$ 648,854	\$ 266,101
Cash Equivalents/Specific Investments	8,760	--	--	8,760	--
Cash/Cash Equivalents	4,881	--	--	4,881	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	2,584	--	--	2,584	--
Restricted Pooled Cash and Investments	4,346	791	--	5,137	--
Deposits In-Lieu of Cash	5,388	17,239	--	22,627	--
Receivables					
Accounts	5,558	14,485	6	20,049	476
Passenger Facility Charges	2,977	--	--	2,977	--
Interest/Dividends	1,064	2,063	--	3,127	900
Pollution Remediation Obligation Recoveries	256	--	--	256	--
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(87)
Due from Other Funds	--	481	--	481	2,242
Due from Other Governmental Agencies	2,234	2,815	--	5,049	558
Inventory of Materials and Supplies	--	--	--	--	391
Prepaid Costs	2,364	2,550	--	4,914	2,112
Total Current Assets	236,563	493,162	19	729,744	273,076
Noncurrent Assets					
Restricted Cash and Investments with Trustee	9,551	--	--	9,551	--
Restricted Pooled Cash and Investments	--	9,736	--	9,736	--
Restricted Pooled Cash and Investments-Closure and Postclosure Care Costs	--	94,618	--	94,618	--
Specific Investments	43,579	--	--	43,579	--
Advances to Other Funds	--	35,082	--	35,082	--
Capital Assets:					
Land	15,678	22,701	--	38,379	--
Construction in Progress	12,968	3,548	--	16,516	1,285
Intangible Assets in Progress	--	291	--	291	--
Intangible Assets-Amortizable	3,337	1,888	--	5,225	118
Accumulated Amortization	(1,660)	(423)	--	(2,083)	(39)
Structures and Improvements	881,146	27,660	--	908,806	18,389
Accumulated Depreciation	(343,971)	(14,175)	--	(358,146)	(7,089)
Equipment	12,977	80,481	--	93,458	148,629
Accumulated Depreciation	(9,495)	(45,631)	--	(55,126)	(96,697)
Infrastructure	238,995	470,668	--	709,663	--
Accumulated Depreciation	(192,032)	(215,568)	--	(407,600)	--
Total Capital Assets	617,943	331,440	--	949,383	64,596
Total Noncurrent Assets	671,073	470,876	--	1,141,949	64,596
Total Assets	907,636	964,038	19	1,871,693	337,672
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Deferred Charge on Refunding	2,641	--	--	2,641	--
Deferred Outflows of Resources Related to Pension	12,285	14,688	--	26,973	15,186
Deferred Outflows of Resources Related to OPEB	342	418	--	760	519
Total Deferred Outflows of Resources	15,268	15,106	--	30,374	15,705

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	\$ 7,061	\$ 12,029	\$ --	\$ 19,090	\$ 13,950
Retainage Payable	452	1,232	--	1,684	221
Salaries and Employee Benefits Payable	483	596	--	1,079	552
Unearned Revenue	2,966	239	--	3,205	--
Due to Other Funds	2,227	8,428	7	10,662	804
Due to Other Governmental Agencies	136	12,281	--	12,417	3
Insurance Claims Payable	--	--	--	--	61,786
Compensated Employee Absences Payable	1,067	1,289	--	2,356	1,177
Pollution Remediation Obligation	--	680	--	680	--
Intangible Assets Obligations Payable	87	8	--	95	--
Landfill Site Closure/Postclosure Liability	--	3,350	--	3,350	--
Bonds Payable	4,617	--	--	4,617	--
Capital Lease Obligations Payable	--	--	--	--	609
Interest Payable	555	--	--	555	--
Deposits from Others	8,326	18,260	--	26,586	--
Total Current Liabilities	27,977	58,392	7	86,376	79,102
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	158,286
Compensated Employee Absences Payable	816	1,030	--	1,846	1,053
Pollution Remediation Obligation	994	15,807	--	16,801	--
Intangible Assets Obligations Payable	72	--	--	72	--
Landfill Site Closure/Postclosure Liability	--	176,408	--	176,408	--
Bonds Payable	93,462	--	--	93,462	--
Capital Lease Obligations Payable	--	--	--	--	2,110
Arbitrage Rebate Payable	103	--	--	103	--
Net Pension Liability	46,028	57,169	--	103,197	49,872
Net OPEB Liability	3,141	3,980	--	7,121	4,727
Total Noncurrent Liabilities	144,616	254,394	--	399,010	216,048
Total Liabilities	172,593	312,786	7	485,386	295,150
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred Inflows of Resources Related to Pension	3,495	4,439	--	7,934	2,884
Total Deferred Inflows of Resources	3,495	4,439	--	7,934	2,884
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	528,734	330,190	--	858,924	61,656
Restricted for:					
Debt Service	2,029	--	--	2,029	--
Passenger Facility Charges Approved Capital Projects	3,282	--	--	3,282	--
Capital Projects-Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	28,531	--	28,531	--
Landfill Corrective Action	--	8,619	--	8,619	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted	211,771	293,596	12	505,379	(6,313)
Total Net Position	\$ 746,816	\$ 661,919	\$ 12	1,408,747	\$ 55,343
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				(670)	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(13,350)	
Net Position of Business-Type Activities				\$ 1,394,727	

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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	\$ 113,442	\$ 4,586	\$ 5	\$ 118,033	\$ 1,582
Licenses, Permits, and Franchises	--	125	--	125	--
Charges for Services	23,394	166,997	103	190,494	108,682
Insurance Premiums	--	--	--	--	337,384
Total Operating Revenues	<u>136,836</u>	<u>171,708</u>	<u>108</u>	<u>308,652</u>	<u>447,648</u>
Operating Expenses					
Salaries and Employee Benefits	22,982	29,158	--	52,140	26,375
Services and Supplies	28,280	23,529	123	51,932	30,706
Professional Services	44,330	14,121	36	58,487	75,694
Operating Leases	267	672	1	940	10,826
Insurance Claims and Premiums	--	--	--	--	315,402
Pollution Remediation Expense	--	(2,627)	--	(2,627)	--
Other Charges	--	--	--	--	256
Taxes and Other Fees	154	28,984	--	29,138	8
Landfill Site Closure/Postclosure Costs	--	17,122	--	17,122	--
Depreciation/Amortization	32,248	17,667	--	49,915	19,147
Total Operating Expenses	<u>128,261</u>	<u>128,626</u>	<u>160</u>	<u>257,047</u>	<u>478,414</u>
Operating Income (Loss)	<u>8,575</u>	<u>43,082</u>	<u>(52)</u>	<u>51,605</u>	<u>(30,766)</u>
Nonoperating Revenues (Expenses)					
Fines, Forfeitures, and Penalties	272	33	--	305	--
Intergovernmental Revenues	151	42	--	193	1,182
Interest and Investment Income	8,214	16,725	2	24,941	7,433
Interest Expense	(6,778)	--	--	(6,778)	(44)
Gain (Loss) on Disposition of Capital Assets	(23)	586	--	563	601
Passenger Facility Charges Revenue	20,677	--	--	20,677	--
Other Taxes	--	--	10	10	--
Other Revenue (Expense)	(527)	44	--	(483)	5,568
Total Nonoperating Revenues	<u>21,986</u>	<u>17,430</u>	<u>12</u>	<u>39,428</u>	<u>14,740</u>
Income (Loss) Before Contributions and Transfers	<u>30,561</u>	<u>60,512</u>	<u>(40)</u>	<u>91,033</u>	<u>(16,026)</u>
Capital Grant Contributions	1,424	--	--	1,424	--
Capital Contributions	--	--	--	--	197
Transfers In	--	162	--	162	5,471
Transfers Out	--	(9,084)	--	(9,084)	(248)
Change in Net Position	<u>31,985</u>	<u>51,590</u>	<u>(40)</u>	<u>83,535</u>	<u>(10,606)</u>
Net Position-Beginning of Year	<u>714,831</u>	<u>610,329</u>	<u>52</u>		<u>65,949</u>
Net Position-End of Year	<u>\$ 746,816</u>	<u>\$ 661,919</u>	<u>\$ 12</u>		<u>\$ 55,343</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				<u>(670)</u>	
Increase in Net Position of Business-Type Activities				<u>\$ 82,865</u>	

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



County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019  
(Dollar Amounts in Thousands)

	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	\$ 135,792	\$ 168,479	\$ 173	\$ 304,444	\$ 36,036
Cash Received for Premiums within the County's Entity	--	--	--	--	337,384
Payments to Suppliers for Goods and Services	(72,959)	(39,300)	(160)	(112,419)	(404,625)
Payments to Employees for Services	(22,221)	(29,307)	--	(51,528)	(24,560)
Payments for Interfund Services	(320)	(1,773)	(90)	(2,183)	(242)
Receipts for Interfund Services Used	--	--	7	7	75,460
Landfill Site Closure/Postclosure Care Costs	--	(3,350)	--	(3,350)	--
Payment for Taxes and Other Fees	(154)	(28,984)	--	(29,138)	(8)
Other Operating Receipts	460	4,231	--	4,691	5,568
Other Operating Payments	(50)	(3,742)	--	(3,792)	(11,388)
Net Cash Provided (Used) by Operating Activities	40,548	66,254	(70)	106,732	13,625
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	--	162	--	162	5,471
Transfers Out	--	(9,084)	--	(9,084)	(248)
Intergovernmental Revenues	151	42	--	193	1,182
Other Taxes	--	--	10	10	--
Advances to Other Funds	--	(5,086)	--	(5,086)	--
Net Cash Provided (Used) by Noncapital Financing Activities	151	(13,966)	10	(13,805)	6,405
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(15,034)	(38,413)	--	(53,447)	(18,057)
Intangible Assets Obligations Payable	--	(6)	--	(6)	--
Principal Paid on Bonds	(22,170)	--	--	(22,170)	--
Payments for refunding bonds	(36,823)	--	--	(36,823)	--
Interest Paid on Long-Term Debt	(7,924)	--	--	(7,924)	--
Bond Issuance Costs Paid on Long-Term Debt	(554)	--	--	(554)	--
Capital Grant Contributions	3,292	--	--	3,292	--
Passenger Facility Charges Received	20,727	--	--	20,727	--
Principal Paid on Capital Lease Obligations	--	--	--	--	(469)
Interest Paid on Capital Lease Obligations	--	--	--	--	(44)
Proceeds from Sale of Capital Assets	30	586	--	616	601
Net Cash Used by Capital and Related Financing Activities	(58,456)	(37,833)	--	(96,289)	(17,969)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on Investments	(7,929)	16,207	2	8,280	7,223
Purchase of Investments	7,952	--	--	7,952	--
Net Cash Provided by Investing Activities	23	16,207	2	16,232	7,223
Net Increase (Decrease) in Cash and Cash Equivalents	(17,734)	30,662	(58)	12,870	9,284
Cash and Cash Equivalents-Beginning of Year	234,456	527,222	71	761,749	257,200
Cash and Cash Equivalents-End of Year	\$ 216,722	\$ 557,884	\$ 13	\$ 774,619	\$ 266,484

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)	\$ 8,575	\$ 43,082	\$ (52)	\$ 51,605	\$ (30,766)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	32,248	17,667	--	49,915	19,147
Fines, Forfeitures and Penalties	272	33	--	305	--
Other Revenue	26	44	--	70	5,568
(Increases) Decreases In:					
Deposits In-Lieu of Cash	(48)	151	--	103	--
Accounts Receivable, Net of Allowances	(797)	(3,292)	(6)	(4,095)	(283)
Due from Other Funds	--	(432)	7	(425)	754
Due from Other Governmental Agencies	59	(26)	71	104	122
Inventory of Materials and Supplies	--	--	--	--	(6)
Prepaid Costs	(214)	(198)	--	(412)	(233)
Deferred Outflows of Resources Related to Pension	(3,424)	(3,590)	--	(7,014)	(4,030)
Deferred Outflows of Resources Related to OPEB	(143)	(165)	--	(308)	(220)
Increases (Decreases) In:					
Accounts Payable	(212)	(2,775)	--	(2,987)	1,102
Retainage Payable	24	--	--	24	--
Salaries and Employee Benefits Payable	25	29	--	54	37
Unearned Revenue	(751)	130	--	(621)	--
Due to Other Funds	(320)	(1,341)	(90)	(1,751)	91
Due to Other Governmental Agencies	(63)	1,125	--	1,062	1
Insurance Claims Payable	--	--	--	--	16,313
Compensated Employee Absences Payable	(79)	(178)	--	(257)	(146)
Pollution Remediation Obligation	--	(3,070)	--	(3,070)	--
Deposits from Others	565	(62)	--	503	--
Arbitrage Rebate Payable	103	--	--	103	--
Net Pension Liability	7,954	9,526	--	17,480	12,104
Net OPEB Liability	140	168	--	308	213
Landfill Site Closure/ Postclosure Liability	--	13,772	--	13,772	--
Deferred Inflows of Resources Related to Pension	(3,290)	(4,215)	--	(7,505)	(5,990)
Deferred Inflows of Resources Related to OPEB	(102)	(129)	--	(231)	(153)
Total Adjustments	31,973	23,172	(18)	55,127	44,391
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,548</u>	<u>\$ 66,254</u>	<u>\$ (70)</u>	<u>\$ 106,732</u>	<u>\$ 13,625</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	\$ 196,137	\$ 452,704	\$ 13	\$ 648,854	\$ 266,101
Cash Equivalents/Specific Investments	8,760	--	--	8,760	375
Cash/Cash Equivalents	4,881	--	--	4,881	--
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	2,584 (1)	--	--	2,584	--
Restricted Pooled Cash/Investments	4,346	10,527	--	14,873	--
Restricted Pooled Cash/Investments-Closure and Postclosure Care Costs	--	94,618	--	94,618	--
Total Cash and Cash Equivalents	<u>\$ 216,722</u>	<u>\$ 557,884</u>	<u>\$ 13</u>	<u>\$ 774,619</u>	<u>\$ 266,484</u>
Schedule of Noncash Investing, Capital, and Financing Activities					
- The Internal Service Funds gained \$601 on disposition of capital assets.					
- The Internal Service Funds received \$197 of capital contributions.					
- The Internal Service Funds' acquisition of capital assets with accounts payable is \$8,448.					
- Airport had a \$23 loss on disposition of capital assets.					
- Airport's acquisition of capital assets with retainage payable is \$421.					
- Airport's acquisition of capital assets with accounts payable is \$2,741.					
- Airport's change in fair value of investments not considered cash or cash equivalents is \$275.					
- Airport's capital grant contribution receivable is \$1,839.					
- Airport's amortization of bond premium is \$355.					
- Airport's amortization of deferred charge on refunding is \$68.					
- OC Waste & Recycling gained \$586 on disposition of capital assets.					
- OC Waste & Recycling's acquisition of capital assets with retainage payable is \$1,232.					
- OC Waste & Recycling's acquisition of capital assets with accounts payable is \$280.					
(1) Does not include \$9,551 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	\$ 60,968	\$ 6,036,424	\$ 2,757	\$ 315,053
Cash/Cash Equivalents	--	--	--	302
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,703	--	--	29,830
Non-Bond Funds	--	--	140,492	--
Mutual Bond Funds	--	--	14,706	--
Stable Value Fund	--	--	16,599	--
Pooled with OCERS	--	--	306,511	--
Total Restricted Cash and Investments	4,703	--	478,308	29,830
Deposits In-Lieu of Cash	--	--	--	49,812
Receivables				
Accounts	--	--	66	690
Taxes	--	--	--	349,041
Interest/Dividends	317	34,933	41	27,672
Allowance for Uncollectible Receivables	--	--	--	(195,914)
Due from Other Governmental Agencies	1	--	1,636	8,301
Land and Improvements Held for Resale	133	--	--	--
Notes Receivable	--	--	--	30,116
Total Assets	66,122	6,071,357	482,808	614,903
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Charge on Refunding	212	--	--	--
Total Deferred Outflows of Resources	212	--	--	--
<b><u>LIABILITIES</u></b>				
Salaries and Employee Benefits Payable	--	--	3,318	--
Bonds Payable	18,090	--	--	--
Interest Payable	238	--	--	31,227
Deposits from Others	--	--	--	20,774
Monies Held for Others	--	--	--	188,345
Due to Other Governmental Agencies	19	440	--	65,459
Unapportioned Taxes	--	--	--	309,098
Total Liabilities	18,347	440	3,318	614,903
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Charge on Refunding	79	--	--	--
Total Deferred Inflows of Resources	79	--	--	--
<b><u>NET POSITION</u></b>				
Restricted for Pension/OPEB Benefits & Other Purposes	47,908	6,070,917	479,490	--
Total Net Position	\$ 47,908	\$ 6,070,917	\$ 479,490	\$ --

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds
<b>Additions:</b>			
Contributions to Pension and Other Postemployment Benefit Trust Funds:			
Employer	\$ --	\$ --	\$ 69,542
Employee	--	--	3,737
Contributions to Pooled Investments	--	9,236,420	--
Contributions to Private-Purpose Trust	71,594	--	--
Intergovernmental Revenues	2,159	--	--
Other Revenues	--	23	7
Interest and Investment Income	2,024	168,884	3,936
Less: Investment Expense	(33)	(3,306)	(813)
<b>Total Additions</b>	<b>75,744</b>	<b>9,402,021</b>	<b>76,409</b>
<b>Deductions:</b>			
Benefits Paid to Participants	--	--	43,232
Distributions from Pooled Investments	--	8,943,985	--
Distributions from Private-Purpose Trust	70,739	--	--
Professional Services	120	--	16
Tax Pass-Throughs	187	--	--
Interest Expense	570	--	--
<b>Total Deductions</b>	<b>71,616</b>	<b>8,943,985</b>	<b>43,248</b>
<b>Change in Net Position:</b>			
Private-Purpose Trust	4,128	--	--
External Investment Pool	--	458,036	--
Employees' Pension and Other Post- Employment Benefits	--	--	33,161
<b>Net Position-Beginning of Year</b>	<b>43,780</b>	<b>5,612,881</b>	<b>446,329</b>
<b>Net Position-End of Year</b>	<b>\$ 47,908</b>	<b>\$ 6,070,917</b>	<b>\$ 479,490</b>





*Prima Deshecha Landfill*





## 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 generally accepted accounting principles (GAAP) in the United States of America, 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 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.

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,

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

**A. Reporting Entity (Continued)**

Blended Component Units (Continued)

Capital Facilities Development Corporation (Continued)

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.

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 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.dmhca.ca.gov/fe/search/>.



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

### 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 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 is 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 debts 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.

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

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

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

- 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, 2019, the County's governmental activities reported restricted net position of \$1,587,590 and is restricted for pension benefits related to the Orange County Retirement System (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 \$44,444 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, 2019, the County reported \$3,282 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.

#### 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.

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

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

Fund Financial Statements (Continued)

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.

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.

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

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

Fund Financial Statements (Continued)

Fiduciary Fund Types The County has a total of 383 individual trust and agency funds for FY 2018-19. 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.

**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.

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

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

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

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 grant reimbursement is received, revenue 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, 2019, the County reported \$162,274 of deferred inflows of resources and \$70,236 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-

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

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

Governmental Fund Financial Statements (Continued)

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.

**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.

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

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

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 OC Public Facilities Corporation Bonds, Master Lease Fund, Capital Facilities Development Corporation, South OC Public Financing Authority Fund, Orange County 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 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.

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

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

- 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.



# **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>	<b>\$ 3,470,984</b>	<b>\$ 191,374</b>	<b>\$ 69,800</b>	<b>\$ 165,655</b>
Differences-budget to GAAP:				
Change in unrealized gain on investment	7,450	4,291	1,455	2,434
Adjustment of revenue accruals for 60 day recognition period	(77,043)	(1,186)	(1,654)	245
Adjustment to record Public-Purpose Trust Fund monies as revenue in benefitting fund	(4,258)	102	--	--
Adjustment to eliminate intrafund transfers	--	(92)	(8,032)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(14,869)	(121)	--	--
Revenues and Other Financing Sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	552	--
Recognition of outstanding invoices for OC Animal Care Center	190	--	--	--
<b>Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>\$ 3,382,454</b>	<b>\$ 194,368</b>	<b>\$ 62,121</b>	<b>\$ 168,334</b>
<b>Actual Expenditures and Other Financing Uses from the Budgetary Comparison Statements</b>	<b>\$ 3,416,764</b>	<b>\$ 145,926</b>	<b>\$ 60,684</b>	<b>\$ 200,386</b>
Differences-budget to GAAP:				
Adjustment of expenditure accruals for timing differences	(1,211)	567	--	--
Adjustment to eliminate intrafund transfers	--	(92)	(8,032)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(14,869)	(121)	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	10	--
Reclassification of loan repayment from General Fund to OC Waste & Recycling	(185)	--	--	--
<b>Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances</b>	<b>\$ 3,400,499</b>	<b>\$ 146,280</b>	<b>\$ 52,662</b>	<b>\$ 200,386</b>

**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 (County Executive Officer (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 2018-19, 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:

County of Orange  
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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	\$ 1,995	\$ 321	\$ 396	\$ --	\$ --	\$ 2,712
Prepaid costs	394,546	5,412	1,254	--	15,785	416,997
Endow ment	--	--	--	--	200	200
Total Nonspendable Fund Balance	396,541	5,733	1,650	--	15,985	419,909
<b>Restricted for:</b>						
Court Operations	64	--	--	--	--	64
Tobacco and CHIP Programs	2,274	--	--	--	--	2,274
Public Safety Realignment	47,651	--	--	--	--	47,651
Flood Control District	--	237,582	--	--	--	237,582
Flood Control District-Construction & Maintenance	--	9,179	--	--	--	9,179
Flood Control District-Project Management	--	37,014	--	--	--	37,014
Flood Control District Capital Projects	--	167,792	--	--	--	167,792
Building & Safety Operating Reserve	--	--	22,865	--	--	22,865
Child Support Program Development	--	--	13,082	--	--	13,082
Clerk Recorder Special Revenue	--	--	15,333	--	--	15,333
Clerk Recorder Operating Reserve	--	--	2,032	--	--	2,032
Sheriff-Coroner Replacement & Maintenance	--	--	17,666	--	--	17,666
Sheriff-Coroner Substations Fee Program	--	--	1,505	--	--	1,505
CAL-ID System Costs	--	--	35,173	--	--	35,173
Jail Commissary	--	--	4,916	--	--	4,916
Inmate Welfare	--	--	11,136	--	--	11,136
Prop 64-Consumer Protection	--	--	8,705	--	--	8,705
Regional Narcotics Suppression Program	--	--	560	--	--	560
Other Public Safety Programs	--	--	31,000	--	--	31,000
Mental Health Services Adults/Children	--	--	--	35,789	--	35,789
Mental Health Services Prevention and Early Intervention	--	--	--	11,343	--	11,343
Mental Health Services General	--	--	--	168,798	--	168,798
OC Dana Point Harbor Projects	--	--	--	--	72,723	72,723
Community and Welfare Services	--	--	--	--	35,548	35,548
Low and Moderate Income Housing Program	--	--	--	--	30,933	30,933
Health Care Programs	--	--	--	--	30,629	30,629
Parking Facilities	--	--	--	--	7,901	7,901
Roads	--	--	--	--	77,699	77,699
Public Libraries	--	--	--	--	60,042	60,042
OC Parks	--	--	--	--	75,935	75,935
OC Parks-Capital Projects	--	--	--	--	25,347	25,347
County Tidelands-New port Bay	--	--	--	--	3,301	3,301
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	64,980	64,980
Other Environmental Management	--	--	--	--	3,385	3,385
Tobacco Settlement Programs	--	--	--	--	17,364	17,364
Housing Programs	--	--	--	--	12,451	12,451
Technological and Capital Acquisitions/Improvements	--	--	--	--	1,788	1,788
Endow ment	--	--	--	--	159	159
Pension Obligation Bonds	--	--	--	--	32,715	32,715
South OC Public Financing Authority	--	--	--	--	297	297
Teeter Plan Notes	--	--	--	--	20,848	20,848
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	12,733	12,733
Capital Facilities Development Corporation Construction	--	--	--	--	199,474	199,474
Capital Facilities Development Corporation	--	--	--	--	40,059	40,059
Total Restricted Fund Balance	\$ 49,989	\$ 451,567	\$ 163,973	\$ 215,930	\$ 826,311	\$ 1,707,770

**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	\$ 25,900	\$ --	\$ --	\$ --	\$ --	\$ 25,900
Maintenance and Construction	11,600	--	--	--	--	11,600
Imprest Cash	1,838	--	--	--	45	1,883
Public Safety	15,530	--	--	--	--	15,530
Public Works	4,295	--	--	--	--	4,295
Watershed Programs	1,921	--	--	--	--	1,921
Social Services Programs	1,449	--	--	--	--	1,449
Health Care Programs	224	--	--	--	13,588	13,812
Teeter Plan Notes	--	--	--	--	70,546	70,546
Capital Projects:						
Property Tax Software Development	5,075	--	--	--	--	5,075
Criminal Justice Facilities	6,645	--	--	--	--	6,645
Central Utilities Facility Replacement	1,238	--	--	--	--	1,238
Election System Upgrade	20,000	--	--	--	--	20,000
Sheriff-Coroner Closed Circuit TV	5,308	--	--	--	--	5,308
Sheriff Katella Range and Jails Renovation	20,911	--	--	--	--	20,911
Animal Care Center	12,669	--	--	--	--	12,669
Various IT/CAPS+ Upgrade projects	13,083	--	--	--	--	13,083
Countywide Projects	--	--	--	--	55,013	55,013
Parking Facilities	--	--	--	--	2,569	2,569
OC Parks	--	--	--	--	12,359	12,359
Real Estate Development	--	--	--	--	8,019	8,019
Community and Welfare Services	--	--	--	--	18,000	18,000
Total Assigned Fund Balance	147,686	--	--	--	180,139	327,825
<b>Unassigned</b>	196,517	--	--	--	--	196,517
Total Unassigned Fund Balance	196,517	--	--	--	--	196,517
<b>Total Fund Balances</b>	<b>\$ 790,733</b>	<b>\$ 457,300</b>	<b>\$ 165,623</b>	<b>\$ 215,930</b>	<b>\$ 1,022,435</b>	<b>\$ 2,652,021</b>

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2019 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 prepaids 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 2018-19, the proceeds of \$402,182 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2019-20 pension contribution at a discount. Of this amount \$394,546 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).

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).

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

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

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 nonspendable 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 \$416,997, which primarily consist of \$416,968 for the County's FY 2019-20 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. Land and Improvements Held for Resale**

These assets, held by the Successor Agency, are valued at the lower of cost or estimated net realizable value.

**J. 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.

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

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

**J. Capital Assets (Continued)**

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.

<b>Asset Type</b>	<b>Capitalization Threshold</b>
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 no longer capitalized as a cost of the capital asset for business-type activities nor governmental activities. Although the requirements of this statement are effective for reporting periods beginning after December 15, 2019, the County opted for early implementation. The statement was implemented in FY 2018-19.

The impairment loss of capital assets is measured using one of several allowable methodology 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)**

## **K. 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 \$5,556 is net of an allowance for the estimated uncollectible of \$4,018.

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. 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>				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 400,039	\$ 4,125	\$ 4,671	\$ 408,835
Difference Between Expected and Actual Experience	9,865	83	105	10,053
Changes of Assumptions	443,290	3,812	4,897	451,999
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	25,068	220	276	25,564
<b>Deferred Outflows of Resources Related to Pension-Employer Contributions after Measurement Date</b>	<b>234,522</b>	<b>2,010</b>	<b>2,383</b>	<b>238,915</b>
<b>Deferred Outflows of Resources Related to Prepaid Contribution</b>	<b>210,594</b>	<b>2,035</b>	<b>2,356</b>	<b>214,985</b>
<b>Total Deferred Outflows of Resources Related to Pension</b>	<b>\$ 1,323,378</b>	<b>\$ 12,285</b>	<b>\$ 14,688</b>	<b>\$ 1,350,351</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	\$ 108	\$ --	\$ 2	\$ 110
Difference Between Expected and Actual Experience	308,675	2,942	3,752	315,369
Changes of Assumptions	42,416	552	684	43,652
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	118	1	1	120
<b>Total Deferred Inflows of Resources Related to Pension</b>	<b>\$ 351,317</b>	<b>\$ 3,495</b>	<b>\$ 4,439</b>	<b>\$ 359,251</b>

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

**K. 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>				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	\$ 10,246	\$ 92	\$ 103	\$ 10,441
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,383	29	35	3,447
Employer Contributions after Measurement Date	26,245	221	280	26,746
<b>Total Deferred Outflows of Resources Related to OPEB</b>	<b>\$ 39,874</b>	<b>\$ 342</b>	<b>\$ 418</b>	<b>\$ 40,634</b>

**L. 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.

**M. 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.

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 (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



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

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

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, 2019 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, 2019, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.81% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	<u>California Revenue &amp; Taxation Code Section</u>
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

## **N. 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.

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

**O. 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, 2019, the County's net pension liability from OCERS was measured as of December 31, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2017 valuation to December 31, 2018. The County's net pension liability from the Extra-Help Defined Benefit Plan was measured as of June 30, 2019; and the plan's TPL used to calculate the net pension liability was determined by rolling forward the July 1, 2017 valuation to June 30, 2019.

**P. 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, 2018.

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, 2019, the County's net OPEB liability was measured as of December 31, 2018, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by rolling forward the June 30, 2017 valuation to December 31, 2018.

**Q. 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.

**R. 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 2018-19 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.

**S. Effects of New Pronouncements**

The following lists recent GASB pronouncements implemented or are effective in FY 2018-19:

In November 2016, GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*." This statement requires the recognition of a liability and a corresponding deferred outflows of resources associated with an

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

### **S. Effects of New Pronouncements (Continued)**

asset retirement obligation based on the criteria and the measurement established in the statement. This statement also requires disclosure of required information about the asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19. The statement was implemented without an impact to the County.

In April 2018, GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*" This statement clarifies which liabilities governments should include when disclosing information related to debt. The statement requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19. The statement was implemented.

In June 2018, GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period.*" This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Although the requirements of this statement are effective for reporting periods beginning after December 15, 2019, the County opted for early implementation. The statement was implemented in FY 2018-19.

The following summarizes recent GASB Pronouncements and their future effective dates. The County is in the process of evaluating the impact of these statements on its financial 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, 2018, which requires the County to implement this statement in FY 2019-20.

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 December 15, 2019, which requires the County to implement this statement in FY 2020-21.

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, 2018, which requires the County to implement this statement in FY 2019-20.

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

### S. **Effects of New Pronouncements (Continued)**

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, 2020, which requires the County to implement this statement in FY 2021-22.

### T. **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.

### U. **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.

<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 Internal Service Fund (ISF) reported a deficit net position balance of \$54,457. 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 \$13,625 from the previous fiscal year primarily due to a strategic decision to increase charges to program participants combined with a decrease in the total outstanding liability. 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.

## **2. DEFICIT FUND EQUITY (Continued)**

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 \$10,841. The deficit for the Successor Agency decreased by \$1,489 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 and the OCEIP. 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 3, 2018, Standard & Poor's (S&P) reaffirmed its highest rating of AAAM Principal Stability Fund 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 with the Treasurer totaled \$9,975,402 as of June 30, 2019, consisting of \$9,866,469 for the OCIF and \$108,933 for the Specific Investments.

### 3. DEPOSITS AND INVESTMENTS (Continued)

Total County deposits and investments at fair value as of June 30, 2019, are reported as follows:

Deposits:

Imprest Cash	\$ 1,950
Deposits for OCIF with Treasurer <sup>(1)</sup>	30,962
Deposits with Trustees	36,418
All other Deposits and Timing Differences	(143,151)
Total Deposits and Timing Differences	<u>(73,821)</u>

Investments:

Investments for OCIF with Treasurer <sup>(1)</sup>	9,835,507
Specific Investments with Treasurer <sup>(1)</sup>	108,933
Restricted Investments with Trustees	542,086
External-OCERS	306,511
Total Investments	<u>10,793,037</u>
Total Deposits and Investments	<u>\$ 10,719,216</u>

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

Governmental Funds	\$ 2,657,995
Proprietary Funds	1,094,233
Fiduciary Funds	6,928,345
Component Unit-CFCOC	38,643
Total Deposits and Investments	<u>\$ 10,719,216</u>

(1) The total deposits and investments of \$9,975,402 consist of \$30,962 in Deposits for OCIF with Treasurer, \$9,835,507 in Investments for OCIF with Treasurer, and \$108,933 in Specific Investments with Treasurer.

#### 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.

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

#### 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, 2019, the Treasurer was in full compliance with the more restrictive IPS for the OCIF and the Specific Investments accounts.

The following table provides a summary listing of the authorized investments as of June 30, 2019.

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

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

**B. Investments (Continued)**

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, 2019, the OCIF includes approximately 61.8% 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 pool's fair value at June 30, 2019.

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>OCIF</u>							
U.S. Treasuries	\$ 2,406,317	\$ 2,407,150	0.00-3.50%	7/02/19-5/31/22	0.751		24.47%
U.S. Government Agencies	6,170,101	6,145,329	0.00-8.10%	7/01/19-3/08/24	0.992	AA	62.73%
Municipal Debt	402,182	402,182	2.82-2.90%	7/31/19-4/30/20	0.462	NR	4.09%
Medium-Term Notes	531,516	531,537	1.10-4.25%	8/02/19-5/06/21	1.043	A	5.40%
Local Agency Investment Fund	60,504	60,400	0.00%	7/01/19	0.003	NR	0.62%
Money Market Mutual Funds	264,887	264,887	0.00%	7/01/19	0.003	AAA	2.69%
	<u>\$ 9,835,507</u>	<u>\$ 9,811,485</u>			<u>0.881 (3)</u>		<u>100.00%</u>

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Specific Investments</u>							
U.S. Treasuries	\$ 38,312	37,865	0.00-4.50%	7/05/19-2/15/36	2.151		35.17%
U.S. Government Agencies	70,597	68,019	0.00-6.75%	7/03/19-11/02/35	4.028	AA	64.81%
Money Market Mutual Funds	24	24	0.00%	7/01/19	0.003	AAA	0.02%
	<u>\$ 108,933</u>	<u>\$ 105,908</u>			<u>3.367 (3)</u>		<u>100.00%</u>

<u>With Trustees:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Restricted Investments with Trustees</u>							
U.S. Government Agencies	\$ 49,477	\$ 31,395	0.00-2.88%	7/19/19-9/01/21	1.748	AA	9.13%
U.S. Treasuries	27,499	26,920	1.50-2.00%	11/30/19-5/31/23	1.940		5.07%
U.S. Treasury Strips	3,528	3,433	0.00%	4/37/84	0.378		0.65%
Guaranteed Investment Contracts	173,196	173,196	2.76%	9/20/22	3.227	NR	31.95%
Money Market Mutual Funds	116,589	116,589	Variable	7/01/19	0.003	AAA	21.51%
Bond Mutual Funds	14,706	14,706	1.91-6.79%	7/01/19	0.003	Baa2	2.71%
Non-Bond Funds	140,492	140,492	Variable	7/01/19	0.003	NR	25.92%
Stable Value Funds	16,599	16,599	Variable	7/01/19	0.003	AA	3.06%
	<u>\$ 542,086</u>	<u>\$ 523,330</u>			<u>1.293 (3)</u>		<u>100.00%</u>

<u>With External OCERS</u>	
Restricted Investments (2)	<u>\$ 306,511</u>

- (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) The Retiree Medical Trust Reports \$306,511 of restricted investments with OCERS as of plan year 12/31/18, 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>.
- (3) Portfolio weighted average maturity

### 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, 2019.

		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>OCIF</b>				
U.S. Treasuries	\$ 2,406,317	\$ --	\$ 2,406,317	\$ --
U.S. Government Agencies	6,170,101	--	6,170,101	--
Medium-Term Notes	531,516	--	531,516	--
Municipal Debt	402,182	--		402,182
Sub-total	9,510,116	--	9,107,934	402,182
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Money Market Mutual Funds	264,887			
Local Agency Investment Fund	60,504			
<b>Total</b>	<b>\$ 9,835,507</b>			
<b><u>Specific Investments</u></b>				
U.S. Treasuries	\$ 38,312	\$ --	\$ 38,312	\$ --
U.S. Government Agencies	70,597	--	70,597	--
Sub-total	108,909	--	108,909	--
<b>Investments Not Subject to Fair Value Hierarchy:</b>				
Money Market Mutual Funds	24			
<b>Total</b>	<b>\$ 108,933</b>			

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

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

##### **Fair Value Measurements (Continued)**

		Fair Value Measurement		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>With Trustees</u>				
U.S. Government Agencies	\$ 49,477	\$ --	\$ 49,477	\$ --
U.S. Treasuries	31,027	--	31,027	--
Non-Bond Funds	140,492	140,492	--	--
Bond Mutual Funds	14,706	14,706	--	--
Sub-total	235,702	155,198	80,504	--
<u>Investments Not Subject to Fair Value Hierarchy:</u>				
Money Market Mutual Funds	116,589			
Guaranteed Investment Contract	173,196			
Stable Value Fund	16,599			
Total	\$ 542,086			

##### **Investment in County of Orange Taxable Pension Obligation Bonds 2019, Series A**

On January 14, 2019, the OCIF purchased the County issued Taxable Pension Obligation Bonds 2019, Series A (2019 POBs) in the principal amount of \$402,182. The 2019 POBs were issued with a fixed coupon rate and with maturities from July 2019 to April 2020 and are solely owned by OCIF. The obligation of the County to pay principal and interest on the 2019 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2019, the outstanding principal amount of the 2019 POBs is \$402,182. The bonds are not rated by any of the NRSROs. The County's investment in the 2019 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, 2019 has 46% of investments maturing in six months or less and 54% maturing between six months and five years. As of June 30, 2019, the OCIF has no variable-rate notes.

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

At June 30, 2019, the short-term pools investment fair values amounted to \$2,032,431. 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, 2019, the WAM of the short-term portion of OCIF was less than 60 days. At the same date, the NAV of both short-term pools was \$1.00 (in absolute dollar amounts).

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### Interest Rate Risk-Duration

At June 30, 2019, the long-term pool investment fair value amounted to \$7,803,076. In accordance with the Board-approved IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to a maximum of 1.50 years.

As of June 30, 2019, the long-term pool 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	\$ 1,778,396	22.79%	0.96
U.S. Government Agencies	5,060,727	64.86%	1.19
Medium-Term Notes	501,267	6.42%	1.07
Municipal Debt	402,182	5.15%	0.46
Local Agency Investment Fund	60,504	0.78%	0.00
<b>Total Fair Value</b>	<b>\$ 7,803,076</b>		
Portfolio Duration			1.08

##### 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 external investment pools 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, 2019, the County's 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, 2019, all 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 with Treasurer exceeded five percent of the portfolio at June 30, 2019.

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>Portfolio %</u>
U.S. Treasuries		\$ 2,406,317	24.5%
U.S. Government Agencies	Federal Home Loan Bank (FHLB) Bonds	3,258,422	33.1%
	Federal Farm Credit Bank (FFCB)	1,323,324	13.5%
	Federal National Mortgage Association (FNMA)	1,117,860	11.4%

### 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, 2019:

##### OCIF

##### Statement of Net Position

	<u>OCIP</u>	<u>OCEIP</u>	<u>Total</u>
Net Position Held for Pool Participants	\$ 4,260,219	\$ 5,623,638	\$ 9,883,857
Equity of Internal Pool Participants	\$ 3,788,571	\$ --	\$ 3,788,571
Equity of External Pool Participants	447,279	5,593,361	6,040,640
Undistributed and Unrealized Gain	24,369	30,277	54,646
Total Net Position	\$ 4,260,219	\$ 5,623,638	\$ 9,883,857

##### Statement of Changes in Net Position

Net Position at July 1, 2018	\$ 4,051,108	\$ 5,186,501	\$ 9,237,609
Net Changes in Investments by Pool Participants	209,111	437,137	646,248
Net Position at June 30, 2019	\$ 4,260,219	\$ 5,623,638	\$ 9,883,857

##### External Pool Portion

##### Combining Statement of Fiduciary Net Position

	<u>OCIP</u>	<u>OCEIP</u>	<u>Total</u>
<u>Assets</u>			
Pooled Cash/Investments	\$ 445,003	\$ 5,591,421	\$ 6,036,424
Receivables			
Interest/Dividends	2,387	32,546	34,933
Total Assets	447,390	5,623,967	6,071,357
<u>Liabilities</u>			
Due to Other Governmental Agencies	111	329	440
Total Liabilities	111	329	440
<u>Net Position</u>			
Restricted for Pool Participants	447,279	5,623,638	6,070,917
Total Net Position	\$ 447,279	\$ 5,623,638	\$ 6,070,917

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### Condensed Financial Statements (Continued)

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

	<u>OCIP</u>	<u>OCEIP</u>	<u>Total</u>
Additions:			
Contributions to Pooled Investments	\$ 632,495	\$ 8,603,925	\$ 9,236,420
Other Revenues	--	23	23
Interest and Investment Income	10,963	157,921	168,884
Less: Investment Expense	(175)	(3,131)	(3,306)
Total Additions	<u>643,283</u>	<u>8,758,738</u>	<u>9,402,021</u>
Deductions:			
Distributions from Pooled Investments	<u>622,384</u>	<u>8,321,601</u>	<u>8,943,985</u>
Total Deductions	<u>622,384</u>	<u>8,321,601</u>	<u>8,943,985</u>
Change in Net Position Held in Trust For External Investment Pool	20,899	437,137	458,036
Net Position-Beginning of Year	<u>426,380</u>	<u>5,186,501</u>	<u>5,612,881</u>
Net Position-End of Year	<u>\$ 447,279</u>	<u>\$ 5,623,638</u>	<u>\$ 6,070,917</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 Wellington Avenue, 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 June 30, 2019 consolidated statements of net position as follows:

	<b>2019</b>
Current Assets:	
Cash and Cash Equivalents	\$ 347,628
Investments	573,706
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	72,712
Investments	547,434
Restricted Deposit	300
<b>Total</b>	<b>\$ 1,541,780</b>

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

	<b>2019</b>
Board-Designated Assets and Restricted Cash:	
Contingency Reserve Fund	\$ 560,145
Homeless Fund	60,000
Restricted Deposits with DMHC	300
<b>Total</b>	<b>\$ 620,445</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, 2019, 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 because they are less sensitive to interest rate changes.

### 3. DEPOSITS AND INVESTMENTS (Continued)

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

##### Interest Rate Risk (Continued)

As of June 30, 2019, 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	\$ 352,753	\$ 177,383	\$ 175,370
U.S. Agency Notes	134,989	74,775	60,214
Corporate Bonds	314,560	104,094	210,466
Asset-Backed Securities	115,144	24,319	90,825
Mortgage-Backed Securities	50,498	8,701	41,797
Municipal Bonds	76,245	32,692	43,553
Supranational	51,320	10,022	41,298
Commercial Paper	19,933	19,933	—
Cash Equivalents	327,612	303,608	24,004
Cash	8,573	8,573	—
Total	<u>1,451,627</u>	<u>\$ 764,100</u>	<u>\$ 687,527</u>
Accrued Interest Receivable	5,711		
	<u>\$ 1,457,338</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:

	Fair Value, June 30, 2019
Asset-Back Securities	\$ 115,144
Mortgage-Backed Securities	50,498
	<u>\$ 165,642</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: Standard and Poor's Corporation (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, 2019, 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	\$ 399,269	N/A	\$ 399,269	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
U.S. Agency Notes	268,824	N/A	268,824	--	--	--	--	--	--
Corporate Bonds	278,901	A-	--	508	12,097	40,141	70,968	91,143	64,044
Floating-Rate Note Securities	83,275	A-	--	37,475	5,001	7,686	10,403	11,562	11,148
Asset-Backed Securities	86,471	AAA	--	86,014	457	--	--	--	--
Mortgage-Backed Securities	79,450	AAA	--	79,450	--	--	--	--	--
Municipal Bonds	82,795	A	--	9,954	33,042	23,666	10,162	5,245	726
Supranational	17,332	AAA	--	17,332	--	--	--	--	--
Certificates of Deposit	38,245	A1/P1	--	38,245	--	--	--	--	--
Commercial Paper	78,249	A1/P1	--	78,249	--	--	--	--	--
Money Market Mutual Funds	44,527	AAA	--	44,527	--	--	--	--	--
Total	<u>\$ 1,457,338</u>		<u>\$ 668,093</u>	<u>\$ 391,754</u>	<u>\$ 50,597</u>	<u>\$ 71,493</u>	<u>\$ 91,533</u>	<u>\$ 107,950</u>	<u>\$ 75,918</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, 2019, all holdings complied with the foregoing limitations. The following holdings exceeded 5% of the portfolio as of June 30, 2019:

Investment Type	Issuer	Percentage of Portfolio
		2019
U.S. Treasury Notes	United States Treasury	29.12
U.S. Agency Notes	Federal Home Loan Bank	14.11

##### 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 the accompanying 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:

Investment Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 352,753	\$ --	\$ --	\$ 352,753
U.S. Agency Notes	--	134,989	--	134,989
Corporate Bonds	--	314,560	--	314,560
Asset-Backed Securities	--	115,144	--	115,144
Mortgage-Backed Securities	--	50,498	--	50,498
Municipal Bonds	--	76,245	--	76,245
Supranational	--	51,320	--	51,320
Commercial Paper	--	19,933	--	19,933
	<u>\$ 352,753</u>	<u>\$ 762,689</u>	<u>\$ --</u>	<u>\$ 1,115,442</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 June 30, 2019
	Balance July 1, 2018	Increases	Decreases	Adjustments	
Governmental Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	\$ 850,659	\$ 5,155	\$ (51)	\$ --	855,763
Land Use Rights (Permanent)	3,999	2,440	--	--	6,439
Construction in Progress	206,829	197,230	(139,565)	--	264,494
Intangible in Progress	14,786	3,817	(4,993)	--	13,610
Total Capital Assets Not Depreciable/Amortizable	1,076,273	208,642	(144,609)	--	1,140,306
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,373,154	54,875	(5,065)	(3)	1,422,961
Land Improvements	4,256	--	--	--	4,256
Equipment	494,593	38,133	(20,803)	--	511,923
Software	125,724	13,307	--	--	139,031
Infrastructure:					
Flood Channels	1,268,276	49,168	--	--	1,317,444
Roads	327,199	19,281	--	--	346,480
Bridges	136,894	--	--	--	136,894
Trails	44,501	2,433	--	3	46,937
Traffic Signals	15,680	395	--	--	16,075
Harbors and Beaches	41,238	--	--	--	41,238
Total Capital Assets, Depreciable/Amortizable	3,831,515	177,592	(25,868)	--	3,983,239
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(718,926)	(59,030)	4,904	3	(773,049)
Land Improvements	(727)	(210)	--	--	(937)
Equipment	(320,876)	(34,887)	18,744	--	(337,019)
Software	(87,792)	(11,407)	--	--	(99,199)
Infrastructure:					
Flood Channels	(350,879)	(17,490)	--	--	(368,369)
Roads	(157,600)	(14,767)	--	--	(172,367)
Bridges	(44,434)	(2,629)	--	--	(47,063)
Trails	(35,984)	(1,088)	--	(3)	(37,075)
Traffic Signals	(11,498)	(593)	--	--	(12,091)
Harbors and Beaches	(32,012)	(736)	--	--	(32,748)
Total Accumulated Depreciation/Amortization	(1,760,728)	(142,837)	23,648	--	(1,879,917)
Total Capital Assets, Depreciable/Amortizable (Net)	2,070,787	34,755	(2,220)	--	2,103,322
Governmental Activities Total Capital Assets, Net	\$ 3,147,060	\$ 243,397	\$ (146,829)	\$ --	\$ 3,243,628

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

	Primary Government				Balance June 30, 2019
	Balance July 1, 2018	Increases	Decreases	Adjustments	
Business-Type Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	\$ 38,339	\$ 40	\$ --	\$ --	\$ 38,379
Construction in Progress	183,197	34,443	(201,124)	--	16,516
Intangible in Progress	749	22	(480)	--	291
Total Capital Assets Not Depreciable/Amortizable	222,285	34,505	(201,604)	--	55,186
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	792,777	118,417	(2,388)	--	908,806
Equipment	94,469	9,577	(10,588)	--	93,458
Software	4,026	1,199	--	--	5,225
Infrastructure	621,748	87,915	--	--	709,663
Total Capital Assets, Depreciable/Amortizable	1,513,020	217,108	(12,976)	--	1,717,152
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(333,420)	(27,124)	2,398	--	(358,146)
Equipment	(59,928)	(5,712)	10,514	--	(55,126)
Software	(1,411)	(672)	--	--	(2,083)
Infrastructure	(391,193)	(16,407)	--	--	(407,600)
Total Accumulated Depreciation/Amortization	(785,952)	(49,915)	12,912	--	(822,955)
Total Capital Assets, Depreciable/Amortizable (Net)	727,068	167,193	(64)	--	894,197
Business-Type Activities Total Capital Assets, Net	<u>\$ 949,353</u>	<u>\$ 201,698</u>	<u>\$ (201,668)</u>	<u>\$ --</u>	<u>\$ 949,383</u>

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

Government Activities:	
General Government	\$ 28,608
Public Protection	47,654
Public Ways and Facilities	21,207
Health and Sanitation	4,040
Public Assistance	5,140
Education	1,674
Recreation and Cultural Services	15,367
Internal Service Funds' Depreciation Expense Allocated to Various Functions	19,147
Total Governmental Activities Depreciation/Amortization Expense	<u>142,837</u>
Business-Type Activities:	
Airport	32,248
OC Waste & Recycling	17,667
Total Business-Type Activities Depreciation/Amortization Expense	<u>49,915</u>
Total Depreciation/Amortization Expense	<u>\$ 192,752</u>

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

Capital asset activity for the year ended June 30, 2019 includes the following adjustment amounts:

- \$3 represents infrastructure that was previously accrued as Structure and Improvements, but was later capitalized as Infrastructure.

##### Capital Asset Impairments:

Due to the development of the Civic Center and planned demolition of several buildings that have remaining useful life, the general government activity adjusted depreciation in the Statement of Activities of \$12,948. No insurance recoveries were received for the impairment of these structures.

Due to the Dana Point Harbor Revitalization project, several buildings that have remaining useful life will be demolished in the coming years. The general government activity adjusted depreciation in the Statement of Activities of \$7,797. No insurance recoveries were received for the impairment of these structures.

#### **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 (DHPD) to conduct due diligence regarding master lease and development of the Dana Point Harbor. The County must ensure that DPHP and DHPD, 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 DHPD will fund and build the improvements, and then operate those portions of the harbor on a 66-year lease. DPHP and DHPD 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

## 5. SERVICE CONCESSION ARRANGEMENTS (Continued)

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 \$5,782, 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, \$18,579, is reported as a liability in the government-wide financial statements.

As of June 30, 2019, the present value of the minimum rent payments under the contracts is estimated to be \$90,377, and it is reported as a receivable in the government-wide financial statements. The FY 2018-19 total monthly installment payments were \$932. In addition, \$71,806 is reported as deferred inflows of resources. As of June 30, 2019, the lease terms for Dana Point Harbor cover the remaining period of 65 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 \$32,172 as of June 30, 2019. Of this amount, \$1,432 is not expected to be collected within the next fiscal year. This primarily consists of \$1,084 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 \$4,129 as of June 30, 2019. Of this amount, \$3,441 is not expected to be collected within the next fiscal year. This primarily consists of a \$500 deposit with U.S. Army Corps of Engineers for regulatory permitting process on various maintenance projects, a \$400 deposit required by the vendor per agreement with HCA, and \$157 for operating funds deposited for payments of costs related to the entitlement of the Greenspot property. In addition, \$2,303 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.

### Leases Receivable

Leases Receivable had a balance of \$90,377 as of June 30, 2019. Of this amount, \$88,989 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 \$437,938 as of June 30, 2019. Of this amount, \$12,306 is not expected to be received within the next fiscal year, which primarily consists of \$5,556 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. \$5,818 is for expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources.

## 6. RECEIVABLES (Continued)

### Notes Receivable

Notes Receivable had a balance of \$27,644 as of June 30, 2019. Of this amount, \$27,464 is not expected to be received within the next fiscal year. This primarily consists of \$24,785 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 \$600 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.

The composition of interfund balances as of June 30, 2019 is as follows:

Due from/to other funds:

Payable Funds	Receivable Funds						Total
	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	OC Waste & Recycling	Internal Service Funds	
General Fund	\$ --	\$ 935	\$ 576	\$ 44,280	\$ --	\$ 1,828	\$ 47,619
Flood Control District	9,856	--	33	822	89	8	10,808
Other Public Protection	6,564	--	--	298	--	9	6,871
Mental Health Services Act	33,874	--	--	--	--	--	33,874
Other Governmental Funds	50,457	759	67	4,198	392	107	55,980
Airport	1,859	--	21	80	--	267	2,227
OC Waste & Recycling	1,871	3	4	6,535	--	15	8,428
Compressed Natural Gas	7	--	--	--	--	--	7
Internal Service Funds	760	8	3	25	--	8	804
Total	<u>\$ 105,248</u>	<u>\$ 1,705</u>	<u>\$ 704</u>	<u>\$ 56,238</u>	<u>\$ 481</u>	<u>\$ 2,242</u>	<u>\$ 166,618</u>

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government-General Fund	Component Unit-CFCOC	\$ 620
Component Unit-CFCOC	Primary Government-Other Governmental Funds	3

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	\$ 370
OC Waste & Recycling	Other Governmental Funds	34,712

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 and for the construction of the new OC Animal Care Center.

## 8. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancellable 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 noncancellable 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, 2019, approximates \$66,256, net of accumulated depreciation.

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 noncancellable operating leases as of June 30, 2019 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-Type Activities
2020	\$ 9,640	\$ 49,703
2021	8,973	28,081
2022	11,103	8,254
2023	8,563	4,693
2024	8,259	4,190
	<u>46,538</u>	<u>94,921</u>
2025-2029	36,295	18,684
2030-2034	30,524	13,535
2035-2039	28,695	--
2040-2044	7,623	--
2045-2049	4,560	--
2050-2054	4,517	--
2055-2059	4,832	--
2060-2064	5,258	--
2065-2069	5,569	--
2070-2074	5,891	--
2075-2079	6,427	--
2080-2081	2,035	--
	<u>142,226</u>	<u>32,219</u>
Total future minimum rentals	<u>\$ 188,764</u>	<u>\$ 127,140</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$34,222 (Enterprise Funds), \$5,101 (Other Governmental Funds), \$526 (Internal Service Funds) and \$84 (Flood Control District) for the year ended June 30, 2019.

## 9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 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	\$ --	\$ --	\$ 1,717	\$ 99,204	\$ --	\$ 2,410	\$ 103,331
Flood Control District	6,267	--	--	465	--	1,011	7,743
Other Public Protection	22,818	--	--	393	--	--	23,211
Mental Health Services Act	200,086	--	--	153	--	--	200,239
Other Governmental Funds	114,055	--	--	178,716	162	2,029	294,962
OC Waste & Recycling	9,084	--	--	--	--	--	9,084
Internal Service Funds	12	215	--	--	--	21	248
Total	<u>\$ 352,322</u>	<u>\$ 215</u>	<u>\$ 1,717</u>	<u>\$ 278,931</u>	<u>\$ 162</u>	<u>\$ 5,471</u>	<u>\$ 638,818</u>



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

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 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

- \$33,248 was transferred to Other Governmental Funds for various capital projects including, the Civic Center Facilities Master Plan.
- \$13,091 was transferred to Other Governmental Funds to reimburse expenditures for Sheriff-Coroner construction and facility development projects.
- \$9,245 was transferred to Other Governmental Funds to finance the County's 60% share of the Social Services Agency Wraparound Program.
- \$7,950 was transferred to Other Governmental Funds for data systems development projects.
- \$6,995 was transferred to Other Governmental Funds to carry over excess Environmental Health fee revenue which will be used to offset future Environmental Health fee-related expenditures.
- \$5,999 was transferred to Other Governmental Funds in connection with debt service payments for various County debt issues.
- \$5,446 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities.
- \$1,195 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- \$1,144 was transferred to Other Governmental Funds for the purchase, replacement, and maintenance of Sheriff-Coroner equipment.

#### From Flood Control District

- \$2,517 was transferred to the General Fund for the Watershed Management Program.

#### From Other Public Protection

- \$9,079 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.
- \$4,853 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.
- \$3,903 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.
- \$2,206 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

- \$200,086 was transferred to the General Fund for the reimbursement of qualifying Proposition 63 MHSA expenditures.

#### From Other Governmental Funds

- \$38,437 was transferred to the General Fund for the reimbursement of various County programs as follows:

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

### Recurring Transfers (Continued)

- \$27,110 for the Social Services Agency Wraparound Program
- \$7,561 for Emergency Medical Services
- \$3,766 for health disaster preparedness and the Center for Disease Control pandemic flu H1N1 costs
- \$35,431 was transferred to the General Fund for funding multi-year capital projects, including the Civic Center Master Plan.
- \$30,097 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.
- \$3,056 was transferred within the Other Governmental Funds for reimbursement of costs related to the Central Utility Facility Infrastructure Upgrade project.

### From Enterprise Funds

- \$9,084 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

- \$12,822 was transferred to Other Governmental Funds for the purchase of the Anita Drive building and the 17<sup>th</sup> Street rebuild.
- \$3,125 was transferred to Other Governmental Funds for the closure of the Courthouse Temporary Construction fund.

#### From Flood Control District

- \$3,750 was transferred to the General Fund for the sale of flood property adjacent to the Honda Center.

#### From Other Governmental Funds

- \$175,465 was transferred within the Other Governmental Funds for upcoming construction activities related to Building 14 as part of the Civic Center Facilities Master Plan.
- \$4,988 was transferred to the General Fund for various information systems projects.

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

### Taxable Pension Obligation Bonds, 2018 Series A

On January 12, 2018, the County issued Taxable Pension Obligation Bonds, 2018 Series A (the 2018 POBs) in the principal amount of \$375,345. The 2018 POBs were issued in order to take advantage of the discount offered by the OCERS Board of Retirement to prepay the County's FY 2018-19 pension contribution. The 2018 POBs were issued as standard bonds, with four fixed-rate tranches, and a final maturity date of April 30, 2019. The obligation of the County to pay principal and interest on the 2018 POBs is imposed by law and is absolute and unconditional. The County repaid in full the outstanding balance of the bonds on April 30, 2019.

### 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

## 10. SHORT-TERM OBLIGATIONS (Continued)

### Taxable Pension Obligation Bonds, 2019 Series A (Continued)

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. As of June 30, 2019, the outstanding principal amount of the 2019 POBs reported in the General Fund was \$402,182. Refer to Note 3, Deposits and Investments and Note 18, Retirement Plans for additional information.

Description	Balance July 1, 2018	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2019	Amounts Due within One Year
<b>County of Orange</b>					
<b><u>Taxable Pension Obligation</u></b>					
<b><u>Bonds, 2018 Series A</u></b>					
Date Issued: January 12, 2018					
Interest Rate: 1.881% to 2.253%					
Original Amount: \$375,345					
Maturing in installments through April 30, 2019	\$ 375,345	\$ --	\$ (375,345)	\$ --	\$ --
<b>County of Orange</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	402,182
<b>Total</b>	<b>\$ 375,345</b>	<b>\$ 402,182</b>	<b>\$ (375,345)</b>	<b>\$ 402,182</b>	<b>\$ 402,182</b>

## 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, 2019, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$7,486,263. 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 and Certificates of Participation

#### Refunding Certificates of Participation (Civic Center Parking Facilities Project)

In December 1987, Certificates of Participation (COPs) representing the proportionate interests of the owners thereof in lease payments made by the County under lease agreements between the County and the Orange County Public Facilities Corporation were delivered. The proceeds were used to finance the acquisition, construction, and installation of two parking structures located in the City of Santa Ana. These certificates were refunded in August 1991 with the \$33,579 Refunding COPs (Civic Center Parking Facilities Project), which were payable through December 2018. As of June 30, 2019, the Refunding Certificates of Participation were fully redeemed.

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

### **Revenue Bonds Payable and Certificates of Participation (Continued)**

#### **Lease Revenue Refunding Bonds, Series 2012 (Juvenile Justice Center Facility)**

On April 25, 2012, the South Orange County Public Financing Authority (SOCPFA) issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 Bonds, in the principal amount of \$34,380, payable through June 2019, with a premium of \$2,927. The Lease Revenue Refunding Bonds were issued to redeem the outstanding Orange County Public Financing Authority (OCPFA) Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002, fund a reserve fund, and pay costs relating to the issuance of the bonds. As of June 30, 2019, the Series 2012 Bonds were fully redeemed.

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

On June 2, 2016, the, SOCPFA issued its \$56,565 Lease Revenue Bonds, Series 2016 at a premium of \$11,724. 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, 2019, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were \$62,025 and \$25,678, respectively.

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. Five County facilities have been pledged as collateral for the debt. In the event of default, the Authority 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. A contractor has been selected to construct CAS pursuant to a Development Agreement with the Corporation.

The County's payment obligation will commence once the building's Certificate of Substantial Completion is delivered to the trustee. County departments occupying CAS will be responsible for making base rental payments. Debt service interest payments will be 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.

#### **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.

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

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

### **Revenue Bonds Payable and Certificates of Participation (Continued)**

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

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, 2019, the outstanding principal amount, interest accretion, and unaccreted interest of the Series 1997A Pension Obligation Bonds were \$5,445, \$25,201, and \$2,896 respectively.

### **Fiscal Year 2018-19 Debt Obligation Activity**

During FY 2018-19, the following events concerning County debt obligations occurred:

#### **Airport Revenue Bonds, Series 2009A and 2009B**

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 April 30, 2019, the Airport redeemed \$13,895 of the remaining callable 2009B Bonds maturing in 2034, together with the Airport’s cash contribution of \$26,105, further paid down 2009A and 2009B Bonds to be refunded, therefore reducing the issuance of the Series 2019A and 2019B Airport Refunding Bonds from \$132,280 to \$85,030 at refunding close on May 14, 2019. As of June 30, 2019, the total outstanding principal amount of the 2009A and 2009 Bonds was \$0.

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

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. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,709. This difference, reported in the accompanying financial statements as deferred outflows of resources, is being charged to operations using the effective interest method. The Airport completed the refunding to reduce its debt service payments over the next 11 years by \$81,478 and obtain an economic gain (the difference of the present values of the old and new debt service payments) of \$38,100. As of June 30, 2019, the outstanding principal amount, including net premium, of the 2019A and 2019B Bonds were \$40,434 and \$57,645, respectively, and the outstanding interest amounts were \$9,644 and \$11,636, respectively.

The 2009 and 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.

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

### **Fiscal Year 2018-19 Debt Obligation Activity (Continued)**

#### **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.

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.

#### **Direct Placement Obligations**

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

On July 12, 2017, the County converted its tax exempt Teeter Plan Obligation Notes, Series B to taxable notes to retire the outstanding Teeter balance of \$27,868, and finance the purchase of \$30,621 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. The new Notes have a maturity date of July 31, 2018.

On December 27, 2017 and June 28, 2018, the County used all of the accumulated base taxes to redeem \$21,142 and \$10,100, respectively, of the Teeter Plan Obligation Notes. As of June 30, 2018, the outstanding principal amount of the Teeter Plan Obligation Notes was \$27,247.

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 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 and the authorized, unused available commitment under the Amended and Restated Note Purchase and Reimbursement Agreement was \$70,493. For additional information regarding the Teeter Plan Notes, refer to Note 21, Subsequent Events.

## 11. LONG-TERM OBLIGATIONS (Continued)

### Schedule of Long-Term Debt Obligations, Fiscal Year 2018-19

The table below summarizes the revenue bonds and certificates of participation outstanding and related activity for the year ended June 30, 2019.

Description	Balance July 1, 2018	Loans/Debt Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2019	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>						
<b><u>Revenue Bonds, POBs, and COPs:</u></b>						
<b><u>Orange County Public Facilities Corporation, Refunding Certificates of Participation (Civic Center Parking Facilities Project)</u></b>						
Date Issued: August 1, 1991-Current Interest						
Rate Bonds (CIB) and Capital Appreciation						
Bonds (CAB) to Refund the 1987 COPs Bond Issue						
Interest Rate: CIB - 4.40% to 6.75%						
Interest Rate: CAB - 6.85% to 7.05%						
Original Amount: CIB - \$24,495						
Original Amount: CAB - \$9,084						
FY 2018-19 Principal and Interest: \$2,601						
FY 2018-19 Total Pledged Revenues: \$53						
Maturing in Installments Through December 1, 2018	\$ 392	\$ --	\$ --	\$ (392)	\$ --	\$ --
Interest Accretion on CAB	2,033	--	176	(2,209)	--	--
<b><u>South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012</u></b>						
Date Issued: April 25, 2012 to refund the 2002 Juvenile						
Justice Center Bonds issue						
Interest Rate: 1.00% to 5.00%						
Original Amount: \$34,380						
FY 2018-19 Principal and Interest: \$5,282						
FY 2018-19 Total Pledged Revenues: \$1,526						
Maturing in installments through June 1, 2019	5,861	(831)	--	(5,030)	--	--
<b><u>South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016</u></b>						
Date Issued: June 2, 2016						
Interest Rate: 3.00% to 5.00%						
Original Amount: \$56,565						
FY 2018-19 Principal and Interest: \$4,487						
FY 2018-19 Total Pledged Revenues: \$4,550						
Maturing in installments through April 1, 2036	64,087	(162)	--	(1,900)	62,025	2,188
<b><u>California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program-Phase I)</u></b>						
Date Issued: June 22, 2017						
Interest Rate: 4.00% to 5.00%						
Original Amount: \$152,400						
FY 2018-19 Interest: \$7,176						
Maturing in installments through June 1, 2047	175,340	--	--	--	175,340	--
<b><u>California Municipal Finance Authority Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program-Phase II)</u></b>						
Date Issued: December 13, 2018						
Interest Rate: 5.00%						
Original Amount: \$185,705						
FY 2018-19 Interest: \$9,285						
Maturing in installments through June 1, 2048	--	212,304	--	--	212,304	--

## 11. LONG-TERM OBLIGATIONS (Continued)

### Schedule of Long-Term Debt Obligations, Fiscal Year 2018-19 (Continued)

Description	Balance July 1, 2018	Loans/Debt Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2019	Amounts Due within One Year
<b>Governmental Activities (Continued):</b>						
<b>Revenue Bonds, POBs, and COPs (Continued):</b>						
<b>County of Orange</b>						
<b>Taxable Refunding Pension</b>						
<b>Obligation Bonds, Series 1997 A</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 2018-19 Principal and Interest: \$15,000						
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB)	\$ 8,217	\$ --	\$ --	\$ (2,772)	\$ 5,445	\$ 2,478
Interest Accretion on CAB	34,553	--	2,876	(12,228)	25,201	12,022
<b>Subtotal-Revenue Bonds, POBs, and COPs</b>	<b>290,483</b>	<b>211,311</b>	<b>3,052</b>	<b>(24,531)</b>	<b>480,315</b>	<b>16,688</b>
<b>Direct Placement Obligations:</b>						
<b>County of Orange</b>						
<b>Teeter Plan Notes</b>						
Date Issued: July 12, 2017						
Interest Rate: LIBOR Index rate + 50 basis points						
Original Amount: \$58,489						
FY 2018-19 Principal and Interest: \$27,279						
Maturing on July 31, 2018	27,247	--	--	(27,247)	--	--
Date Issued: July 16, 2018						
Interest Rate: LIBOR Index rate + 50 basis points						
Original Amount: \$61,107						
FY 2018-19 Principal and Interest: \$32,947						
FY 2018-19 Total Pledged Revenues: \$9,462						
Maturing on July 31, 2021	--	61,107	--	(31,600)	29,507	--
<b>Subtotal-Direct Placement Obligations</b>	<b>27,247</b>	<b>61,107</b>	<b>--</b>	<b>(58,847)</b>	<b>29,507</b>	<b>--</b>
<b>Subtotal-Governmental Activities</b>	<b>317,730</b>	<b>272,418</b>	<b>3,052</b>	<b>(83,378)</b>	<b>509,822</b>	<b>16,688</b>
<b>Business-Type Activities:</b>						
<b>Airport Revenue Refunding Bonds -</b>						
<b>Series 2009A and 2009B</b>						
Date Issued: July 9, 2009						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$233,115						
FY 2018-19 Principal and Interest: \$65,933						
Maturing in Installments Through July 1, 2039	152,199	--	--	(152,199)	--	--
<b>Airport Revenue Refunding Bonds -</b>						
<b>Series 2019A and 2019B</b>						
Date Issued: May 14, 2019						
Interest Rate: 5.00%						
Original Amount: \$85,030						
FY 2018-19 Principal and Interest: \$0						
FY 2018-19 Total Pledged Revenues: \$58,971						
Maturing in installments through July 1, 2030	--	98,434	--	(355)	98,079	4,617
<b>Subtotal-Business-Type Activities</b>	<b>152,199</b>	<b>98,434</b>	<b>--</b>	<b>(152,554)</b>	<b>98,079</b>	<b>4,617</b>
<b>Total</b>	<b>\$ 469,929</b>	<b>\$ 370,852</b>	<b>\$ 3,052</b>	<b>\$ (235,932)</b>	<b>\$ 607,901</b>	<b>\$ 21,305</b>



## 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, POBs, and COPs		Direct Placement Obligations		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 4,453	\$ 30,993	\$ --	\$ 871	\$ 1,950	\$ 2,632	\$ 40,899
2021	7,310	31,943	--	868	11,255	3,873	55,249
2022	5,623	21,676	29,507	71	11,815	3,296	71,988
2023	8,990	18,394	--	--	6,750	2,832	36,966
2024	9,440	17,946	--	--	7,095	2,486	36,967
2025-2029	54,784	82,155	--	--	39,740	5,925	182,604
2030-2034	69,910	67,020	--	--	6,425	236	143,591
2035-2039	75,075	48,390	--	--	--	--	123,465
2040-2044	85,080	29,405	--	--	--	--	114,485
2045-2048	73,500	8,109	--	--	--	--	81,609
Total	394,165	356,031	29,507	1,810	85,030	21,280	887,823
Add: Premium/(Discount)	60,949	--	--	--	13,049	--	73,998
Add: Interest Accretion on	25,201	--	--	--	--	--	25,201
<b>Total</b>	<b>\$ 480,315</b>	<b>\$ 356,031</b>	<b>\$ 29,507</b>	<b>\$ 1,810</b>	<b>\$ 98,079</b>	<b>\$ 21,280</b>	<b>\$ 987,022</b>

### Changes in Long-Term Liabilities

Long-term liability activities, for the year ended June 30, 2019, were as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within One Year
<b>Governmental Activities:</b>					
Revenue Bonds***	\$ 209,945	\$ 185,705	\$ (6,930)	\$ 388,720	\$ 1,975
Certificates of Participation	392	--	(392)	--	--
Pension Obligation Bonds	8,217	--	(2,772)	5,445	2,478
Teeter Plan Notes (Direct Placement)	27,247	61,107	(58,847)	29,507	--
Add: Premium/(Discount) on Bonds Payable***	35,343	26,599	(993)	60,949	213
Total, Net	281,144	273,411	(69,934)	484,621	4,666
Interest Accretion on CAB	36,586	3,052	(14,437)	25,201	12,022
<b>Other Long-Term Liabilities:</b>					
Compensated Employee Absences Payable	182,893	171,389	(173,962)	180,320	103,510
Arbitrage Rebate Payable	--	53	(53)	--	--
Capital Lease Obligations Payable *	43,169	3,187	(6,960)	39,396	7,695
Insurance Claims Payable	203,759	134,999	(118,686)	220,072	61,786
Estimated Liability-Litigation and Claims	55,000	--	(55,000)	--	--
Intangible Assets Obligations Payable	1,852	1,542	(755)	2,639	1,348
Total Other Long-Term Liabilities	486,673	311,170	(355,416)	442,427	174,339
<b>Total Long-Term Liabilities **</b>					
<b>For Governmental Activities</b>	<b>\$ 804,403</b>	<b>\$ 587,633</b>	<b>\$ (439,787)</b>	<b>\$ 952,249</b>	<b>\$ 191,027</b>

\* Includes amount of \$2,719 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.

\*\*\* Beginning balance will not tie to prior year's ending balance due to the implementation of GASB 88, which now classifies the Civic Center Facilities Master Plan Financing as Revenue Bonds.

## 11. LONG-TERM OBLIGATIONS (Continued)

### Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within One Year
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 154,449	\$ 85,030	\$ (154,449)	\$ 85,030	\$ 1,950
Add: Premium (Discount) on Bonds Payable	(2,250)	13,404	1,895	13,049	2,667
Total Bonds Payable, Net	152,199	98,434	(152,554)	98,079	4,617
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,459	4,573	(4,830)	4,202	2,356
Arbitrage Rebate Payable	--	103	--	103	--
Landfill Site Closure/Postclosure Liabilities *	165,986	17,122	(3,350)	179,758	3,350
Pollution Remediation Obligation **	20,551	--	(3,070)	17,481	680
Intangible Assets Obligations Payable	61	116	(10)	167	95
Total Other Long-Term Liabilities	191,057	21,914	(11,260)	201,711	6,481
<b>Total Long-Term Liabilities ***</b>					
For Business-Type Activities	\$ 343,256	\$ 120,348	\$ (163,814)	\$ 299,790	\$ 11,098

\* 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, 2019 is \$184,522. 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.

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

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

### **Special Assessment District Bonds (Continued)**

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, 2019, amounted to \$491,687.

### **Orange County Vehicle License Fees (VLF)**

All counties in California receive property taxes in lieu of VLF, also known as the "vehicle license fee adjustment amount (VLFAA)", due to the property tax swap of 2004 (Section 97.70 of the Revenue and Taxation Code). However, in 2004, the State reduced the County's share of VLFAA by approximately \$54,000. On June 30, 2011, the Governor signed SB 89, which now eliminated the County's reduced annual receipt of approximately \$49,000 in VLF revenue (Revenue & Taxation Code Section 11001.5(a)(1) and 11005(a)).

This elimination required the Auditor-Controller to calculate the County's allocation of VLFAA in a manner consistent with the other 57 counties in the State. In FY 2012-13, the County had budgeted \$73,500 for the VLFAA, due to the growth in property valuation since 2005. The State Department of Finance initiated litigation to challenge the County's calculation of the VLFAA in an attempt to withhold the \$54,000 of VLF revenue and the \$73,500 of annual property tax revenue.

On September 27, 2013, Assembly Bill (AB) 701 was signed to resolve the litigation between the State and the County which resulted in the County repaying \$150,000 to the State over five years. As of June 30, 2019, the remaining obligation of \$55,000 has been repaid to the State.

## **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, 2019, there were 15 series of bonds outstanding with an aggregate principal amount payable of \$100,707.

### **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 (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations for FY 2018-19 appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule (ROPS) 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.

## 12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT (Continued)

### Orange County Development Agency (OCDA) Successor Agency Bond Debt (Continued)

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, 2019, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interests were \$18,090 and \$1,734, 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, 2019:

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2020	\$ 1,707	\$ 31,672	\$ 33,379
2021	234	31,924	32,158
2022	62	28,275	28,337
2023	--	25,447	25,447
2024	--	25,025	25,025
2025-2029	--	90,145	90,145
2030-2034	--	29,910	29,910
Total	<u>\$ 2,003</u>	<u>\$ 262,398</u>	<u>\$ 264,401</u>

Total expenditures for equipment rentals and building and improvements incurred for FY 2018-19 was \$70,205.

### Capital Leases

This year, the County entered into a lease agreement as lessee for financing the acquisition of reprographics equipment valued at \$3,187. The equipment has a 15-year estimated useful life. This year, \$125 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

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, 2019:

Land	\$ 14,831
Equipment	3,518
Less: Accumulated Depreciation	(279)
Structures & Improvements	64,589
Less: Accumulated Depreciation	(40,232)
Total	<u>\$ 42,427</u>

### 13. **LEASES (Continued)**

#### Capital Leases (Continued)

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, 2019:

<u>Fiscal Year Ending June 30</u>	
2020	\$ 10,210
2021	9,286
2022	7,677
2023	7,831
2024	7,500
2025-2027	5,557
Total Minimum Lease Payments	48,061
Less: Amount Representing Interest	(8,665)
Present Value of Net Minimum Lease Payments	<u>\$ 39,396</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 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 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, 2019 was \$179,758. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (35.94% for FRB, 83.53% for Olinda Alpha and 21.68% for Prima Deshecha), less actual costs paid related to both closure and postclosure of the Santiago Canyon and Coyote Canyon landfills. OC Waste & Recycling will recognize the remaining estimated cost of closure and postclosure care of \$185,630 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018 dollars (using the 2018 inflation factor of 1.022). OC Waste & Recycling estimates that it has enough landfill capacity to operate the system for a minimum of 25 years. However, OC Waste & Recycling 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 annual 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 disposal fees deposited to pay for

**14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)**

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, 2019, a total of \$94,618 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Funds 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, 2019, as follows:

General Fund	\$	50,124
Flood Control District		50,278
Other Public Protection		1,024
Other Governmental Funds		77,015
Total Encumbrances for Governmental Funds	\$	<u>178,441</u>

# 15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

## Construction Commitments

At June 30, 2019, the County's total commitments for major contracts entered into for equipment, 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	\$ 2,284
County Operations Center-Building B Replace Air Handlers	1,118
909 Main-Replace Chiller and Cooling Tower	1,023
	<u>4,425</u>
Flood Control District	
Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd Improvement Project	14,645
Lane Channel-U/S Jamboree Rd to D/S Main St Phase 1	5,755
Santa Ana River Interceptor Line Construction	2,421
Equipment Operations	2,148
San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr	1,612
Santa Ana River Parkway Extension	1,124
San Diego Creek Sediment Removal I-405 Project	1,123
	<u>28,828</u>
Other Governmental Funds	
Civic Center Facilities Master Plan, Building 14	183,038
Civic Center Facilities Master Plan, Building 16	28,674
James A. Musick Facility Expansion Phase I	4,191
Laguna Canyon Road Segment 4, Phase 2 to 4	3,852
James A. Musick Facility Expansion Phase II	3,316
OC Zoo Entry Plaza & Restroom	2,932
Replace Air Handlers at Central Men's Jail, Central Women's Jail and Headquarters	2,475
Intake Release Center Emergency Generators Replacement	1,278
Brea Boulevard/Brea Canyon Road	1,276
Theo Lacy Emergency Generators Replacement	1,080
Juvenile Hall Multipurpose Rehabilitation Center	1,048
Jail Security Electronic Control Systems Upgrade	1,024
	<u>234,184</u>
Internal Service Funds	
Purchase of Various Vehicles	3,995
	<u>3,995</u>
Business-Type Activities:	
Airport	
Airport Operations Center	9,428
Terminals Air Handlers Replacement	3,306
Parking Structure C, Phase 2	2,652
Airport Power Generation and Distribution Upgrades	1,819
	<u>17,205</u>
OC Waste & Recycling	
Frank R. Bowerman Phase VIII-A Groundwater Protection & Stockpile Project	1,344
Prima Steel Materials Storage Structure	1,237
	<u>2,581</u>
Total Commitments	<u>\$ 291,218</u>

**15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)**

**Construction Commitments (Continued)**

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-the Orange County Flood Control District (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 \$2,618,191. OCFCD's combined cost share is estimated to be \$884,451 for the entire Santa Ana River Project. As of June 30, 2019, the OCFCD has expended about \$656,974 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 and protection of SR-91 in the Santa Ana River canyon 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 a 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 is expected to occur in November 2019. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon 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 and expected to be completed in July 2020. 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.



## **15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)**

### **Construction Commitments (Continued)**

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, 2019, OCFCD has submitted \$432,969 in claims, and received \$411,926 in reimbursements. An additional \$5,818 in claims is in the process of being prepared for submittal to the DWR.

Of the total amount outstanding, \$6,278 was accrued as revenue, and \$12,495 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 \$100,000 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 2.00% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings.

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.

## 16. SELF-INSURANCE (Continued)

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 2017-18	\$ 145,634	\$ 43,062	\$ 922	\$ 12,553	\$ 202,171
Claims and Changes in Estimates	40,568	12,802	848	63,606	117,824
Claim Payments	(36,007)	(15,777)	(969)	(63,483)	(116,236)
Unpaid Claims, End of FY 2017-18	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	<u>\$ 149,508</u>	<u>\$ 54,741</u>	<u>\$ 937</u>	<u>\$ 14,886</u>	<u>\$ 220,072</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 and 2006, the Airport was named as the responsible party in a cleanup and abatement order, for two sites on Airport property, by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, the Airport began monitoring and remediating the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

In 2008, the sites were sampled as part of an assessment. The results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, the Airport's environmental consultant reevaluated the sites and recommended a change to the remediation plan. The consultant calculated the new estimated pollution remediation liability based on a more active method of remediation that includes remedial technologies such as soil vapor extraction, dual-phase sparging, and bioremediation.

The Airport started implementing the new remediation method in the fiscal year ended June 30, 2011. Following a remedial pilot test, the Airport has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both 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, 2019, the Airport has a

## 17. **POLLUTION REMEDIATION (Continued)**

### John Wayne Airport (Airport) (Continued)

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 any further 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, 2019.

The estimated pollution remediation obligation as of June 30, 2019, 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, 2019, after deducting actual pollution remediation expenses incurred during fiscal year 2019, is \$16,487.

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. 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 (School District) issued the Notices of Intent to Sue under Resource 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 School District claims were tolled until June 2006.

Huntington Beach, the County, and 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 \$40.

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 is 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

## 17. **POLLUTION REMEDIATION (Continued)**

### OC Waste & Recycling (Continued)

#### Lane Road Former Refuse Disposal Station (Continued)

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 estimated at \$288. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$1,644.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at 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 the University that was approved by the Board in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system, including a carbon treatment element.

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 estimated at \$116. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$433.

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 California Environmental Quality Act 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.

## 17. POLLUTION REMEDIATION (Continued)

### OC Waste & Recycling (Continued)

#### Forster Former Refuse Disposal Station (Continued)

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 (5) 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, 2019.

The remaining balance for landfill gas remediation at the Forster site is \$7,500 as of June 30, 2019. 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, 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 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.

Orange and the County 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 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 is estimated at \$271. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$6,870 as of June 30, 2019.

The estimated pollution remediation obligation as of June 30, 2019 is:

Cannery Former Refuse Disposal Station	\$	40
Lane Road Former Refuse Disposal Station		1,644
San Joaquin Former Refuse Disposal Station		433
Forster Former Refuse Disposal Station		7,500
Yorba Refuse Disposal Station		6,870
OC Waste & Recycling Pollution Remediation Obligation	\$	<u>16,487</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, 2019 is presented below:

	OCERS	Extra-Help Defined Benefit Plan	Total
Deferred Outflows of Resources Related to Pension	\$ 1,350,351	\$ —	\$ 1,350,351
Net Pension Liability	4,919,675	1,382	4,921,057
Deferred Inflows of Resources Related to Pension	359,141	110	359,251
Pension Expense	606,314	88	606,402

### 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.

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

## **18. RETIREMENT PLANS (Continued)**

### **Orange County Employees Retirement System (OCERS) (Continued)**

#### **Benefits Provided (Continued)**

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 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 238 retirees (of which 231 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.

## 18. RETIREMENT PLANS (Continued)

### Orange County Employees Retirement System (OCERS) (Continued)

#### Contributions (Continued)

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 2018-19, employer's contributions for funding purpose, as a percentage of covered payrolls, were 33.66% for General members, 62.81% for Safety-Law Enforcement members and 47.79% for Safety-Probation members, as determined by the December 31, 2016, actuarial valuation. The County's total contribution to OCERS for the year ended June 30, 2019 was \$440,634.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2019, the County reported a liability of \$4,919,675 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2018, the County's proportion was 79.39%, which was a decrease of 1.07% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$606,314. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 408,835	\$ --
Differences Between Expected and Actual Experience in the Total Pension Liability	10,053	315,369
Changes of Assumptions or Other Inputs	451,999	43,652
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	25,564	120
County Contributions Subsequent to the Measurement Date	238,915	--
County Prepaid Pension Contribution	214,985	--
Total	<u>\$ 1,350,351</u>	<u>\$ 359,141</u>

\$238,915 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, 2020.

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 \$214,985 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, 2019, \$143,647 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, 2019, the County did not utilize funds available in the County Investment Account to meet its annual required contribution.

On January 14, 2019, the County issued its short-term Taxable Pension Obligation Bonds, 2019 Series A in the amount of \$402,182. Of the \$402,182 bond proceeds, \$402,102 was combined with \$27,868 in contributions



## 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)

from certain County departments to prepay the estimated FY 2019-20 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 \$18,095 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$8,631 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 resources related to pension will be recognized as follows:

Year ending June 30:		
2020	\$	115,997
2021		36,874
2022		105,121
2023		289,138
2024		(9,820)

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 discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of investment expenses. 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	\$7,164,060	\$4,919,675	\$3,095,231

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 Wellington Avenue, 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)**

### **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, 2019, the plan consists of 23 active plan participants, 175 terminated plan participants entitled to but not yet receiving benefits, and 37 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 11 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, 2017, rolled forward to June 30, 2019 using actual benefit payments for FY 2018-19. In both the 2017 valuation and the 2019 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 \$7,582. For the year ended June 30, 2019, the County and six (6) cost-sharing agencies contributed \$565. The County's proportionate share of the contribution was \$554.

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, 2019, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 6.90%. 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.

In accordance with Paragraph 30 of GASB Statement No. 68, the long-term discount rate was determined without reduction for pension plan administrative expense.

## 18. RETIREMENT PLANS (Continued)

### County Administered Plans (Continued)

#### Extra-Help Defined Benefit Plan (Continued)

##### Discount Rate (Continued)

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, 2019 were as follows:

Total Pension Liability	\$ 7,440
Plan's Fiduciary Net Position	(6,031)
Plan's Net Pension Liability	<u>\$ 1,409</u>

Plan Fiduciary Net Position as a percentage of the Total Pension Liability	81.06%
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The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to the measurement date of June 30, 2019. The County's proportionate share of the June 30, 2019 net pension liability is \$1,382. 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, 2019, the County recognized pension expense of \$88. At June 30, 2019, the County reported deferred inflows of resources of \$110, 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	\$ --	\$ 110
Total	<u>\$ --</u>	<u>\$ 110</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:	
2020	\$ (22)
2021	(56)
2022	(13)
2023	(19)

Actuarial Assumptions: The total pension liability based on the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 2.75% inflation, (b) 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.

## 18. **RETIREMENT PLANS (Continued)**

### **County Administered Plans (Continued)**

#### **Extra-Help Defined Benefit Plan (Continued)**

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	\$1,637	\$1,409	\$1,226
County's proportionate share	\$1,606	\$1,382	\$1,203

#### **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, 2019, there were 4,423 participants with a balance in the plan, with 4,243 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, 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 \$948. As of June 30, 2019 total plan assets were \$8,304.

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)**

**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, 2019, the plan had 637 participants with a balance in the plan, with 617 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, 2019, were \$1,064 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, 2019, total plan assets were \$17,473.

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.

**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 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.

**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):

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, 2019, the plan had 2,607 participants with a balance in the plan, with 2,596 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, 2019, 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, 2019, were \$2,283 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, 2019, total plan assets were \$7,357.

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, 2019:

**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	\$ 3	\$ 2	\$ --	\$ --	\$ 1
Restricted Cash and Investments					
Restricted Investments with Trustee	39,054	6,029	8,284	17,447	7,294
Due from Other Governmental Agencies	108	--	20	26	62
Total Assets	<u>39,165</u>	<u>6,031</u>	<u>8,304</u>	<u>17,473</u>	<u>7,357</u>
<b><u>Net Position</u></b>					
Restricted for Retirement Plans Benefits	39,165	6,031	8,304	17,473	7,357
Total Net Position	<u>\$ 39,165</u>	<u>\$ 6,031</u>	<u>\$ 8,304</u>	<u>\$ 17,473</u>	<u>\$ 7,357</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	\$ 3,912	\$ 565	\$ --	\$ 1,064	\$ 2,283
Employee	948	--	948	--	--
Other Revenues	7	7	--	--	--
Interest and Investment Income	1,826	436	180	832	378
Less: Investment Expense	(49)	(7)	(9)	(19)	(14)
Total Additions	<u>6,644</u>	<u>1,001</u>	<u>1,119</u>	<u>1,877</u>	<u>2,647</u>
<b>Deductions:</b>					
Benefits Paid to Participants	3,290	1,572	797	917	4
Total Deductions	<u>3,290</u>	<u>1,572</u>	<u>797</u>	<u>917</u>	<u>4</u>
Change in Net Position for Employees' Retirement	3,354	(571)	322	960	2,643
Net Position at Beginning of Year	35,811	6,602	7,982	16,513	4,714
Net Position at End of Year	<u>\$ 39,165</u>	<u>\$ 6,031</u>	<u>\$ 8,304</u>	<u>\$ 17,473</u>	<u>\$ 7,357</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, 2018.

Plan Membership: As of June 30, 2019, 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, 2017, the membership consisted of the following:

Inactive plan members currently receiving benefit payments	8,301
Inactive plan members entitled to but not yet receiving benefit payments	31
Active plan members	15,316
	<u>23,648</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 2018 was \$22.75 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$568.75 (absolute dollars). The base number for calendar year 2019 is \$23.44 (absolute dollars) per year of County service, and the maximum monthly Grant is \$586.00 (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.

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**County of Orange Retiree Medical Plan (Continued)**

Benefits Provided (Continued)

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees 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.

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.

All AOCDS Public Safety employees who retired on or after January 04, 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 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, 2019, the County was setting aside contributions of 0.3% of payroll for AFSCME, 0.4% for OCAA, 5.0% for AOCDS, 8.1% 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

## 19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

### County of Orange Retiree Medical Plan (Continued)

#### Contributions (Continued)

those groups calculated by an actuary. Additionally, AOCDS and ACLEM employees covered under the "3%@50" safety retirement formula contributed 0.5% and 1.4% of base pay respectively.

For the Plan year ended December 31, 2018, the total Plan contributions were \$54,229. The County's contribution was \$49,773 (91.78%), Superior Court was \$4,004 (7.38%), OCERS was \$292 (0.54%), CFCOC was \$38 (0.07%), Law Library was \$45 (0.08%), Cemetery District was \$60 (0.11%), and LAFCO was \$17 (0.04%). The County's contribution for the fiscal year June 30, 2019 was \$52,349.

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, 2019 were as follows:

Collective OPEB Liability	\$	721,904
Collective Plan's Fiduciary Net Position		(307,252)
Collective Net OPEB Liability	\$	<u>414,652</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		42.56%

At June 30, 2019, the County reported a liability of \$380,581 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward for December 31, 2018. Update procedures were used to roll forward the total OPEB liability from the actuarial valuation date to the measurement date. The County's proportion of the collective net OPEB liability was based on the 2018 share of actuarially determined contributions to the OPEB plan relative to the projected contributions of all participating employers. At December 31, 2018, the County's proportion was 91.78%, which was an increase of 0.94% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the County recognized OPEB expense of \$40,028. At June 30, 2019, 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	\$ 10,441	\$ --
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	3,447	--
Employer Contributions after Measurement Date	26,746	--
Total	<u>\$ 40,634</u>	<u>\$ --</u>

**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)**

Deferred outflow of resources of \$26,746 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 related to OPEB will be recognized in the County's OPEB expense as follows:

Year ending June 30:		
2020	\$	2,301
2021		2,301
2022		2,302
2023		5,425
2024		472
Thereafter		1,087

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, 2017. 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, 2017 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 81% based on the April 2006 participation study

Medical trend used for pre-Medicare members was 7.50% for 2019, decreasing to 4.00% for 2076 and later; for Medicare eligible members, 6.50% was used for 2019, 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. 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.

## 19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

### County of Orange Retiree Medical Plan (Continued)

#### Discount Rate (Continued)

The target allocation and long-term expected real rate of return for each asset class are summarized in the following table:

<b>Asset class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
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, 2018, the annual money-weighted rate of return on investments, net of investment expense, was (1.31%). 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:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Collective plan	\$501,352	\$414,652	\$342,159
County's proportionate share	\$460,159	\$380,581	\$314,046

**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 (6.5%/5.5% decreasing to 3.0%) or 1-percentage-point higher (8.5%/7.5% decreasing to 5.0%) than the current healthcare cost trend rates:

	<b>1% Decrease (6.50%/5.50% decreasing to 3.00%)</b>	<b>Current Healthcare Cost Trend Rates (7.50%/6.50% decreasing to 4.00%)</b>	<b>1% Increase (8.50%/7.50% decreasing to 5.00%)</b>
Collective plan	\$402,396	\$414,652	\$427,162
County's proportionate share	\$369,333	\$380,581	\$392,065

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**County of Orange Retiree Medical Plan (Continued)**

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 Wellington Avenue, 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 will replace 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 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, 2019, the plan had 2,848 active and 837 inactive participants.

**19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**County of Orange Health Reimbursement Arrangement (HRA) (Continued)**

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 to 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, 2019, the value of the HRA assets was \$133,073.

Administrative Cost: Annual administrative fees include a plan asset fee of 0.40% and 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, 2019:

<b><u>Statement of Fiduciary Net Position</u></b>		Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan
	Total		
<b><u>Assets</u></b>			
Pooled Cash/Investments	\$ 2,754	\$ 2,706	\$ 48
Restricted Cash and Investments			
Restricted Investments with Trustee	132,743	--	132,743
Pooled with OCERS	306,511	306,511	--
Investment Receivable	66	66	--
Interest/Dividend Receivable	41	40	1
Due from Other Governmental Agencies	1,528	1,247	281
Total Assets	<u>443,643</u>	<u>310,570</u>	<u>133,073</u>
<b><u>Liabilities</u></b>			
Salaries and Employee Benefits Payable	3,318	3,318	--
Total Liabilities	<u>3,318</u>	<u>3,318</u>	<u>--</u>
<b><u>Net Position</u></b>			
Restricted for OPEB Benefits	440,325	307,252	133,073
Total Net Position	<u>\$ 440,325</u>	<u>\$ 307,252</u>	<u>\$ 133,073</u>
<b><u>Statement of Changes in Fiduciary Net Position</u></b>		Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan
	Total		
Additions:			
Employer Contributions	\$ 65,630	\$ 54,229	\$ 11,401
Employee Contributions	2,789	2,103	686
Interest and Investment Income	2,110	(5,746)	7,856
Less: Investment Expense	(764)	(5)	(759)
Total Additions	<u>69,765</u>	<u>50,581</u>	<u>19,184</u>
Deductions:			
Benefits Paid to Participants	39,942	37,118	2,824
Administrative Expense	16	16	--
Total Deductions	<u>39,958</u>	<u>37,134</u>	<u>2,824</u>
Change in Net Position	29,807	13,447	16,360
Net Position-Beginning of Year	410,518	293,805	116,713
Net Position-End of Year*	<u>\$ 440,325</u>	<u>\$ 307,252</u>	<u>\$ 133,073</u>

\*The Trust Plan is presented as of 12/31/18 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.

## **21. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2019:

Teeter Plan Notes: On July 15, 2019, the County issued an additional \$40,269 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 15, 2019 was \$69,776 and the authorized, unused available commitment under the Amended and Restated Note Purchase and Reimbursement Agreement was \$30,224. For additional information regarding the Teeter Plan Series B Notes, refer to Note 11, Long-Term Obligations.

Labor Negotiations: On October 8, 2019, the Board approved and adopted the 2019-2023 Memorandum of Understanding (MOU) between the County of Orange and the Association of Orange County Deputy Sheriffs for the Peace Officer and Supervising Peace Officer Unit for the period of July 1, 2019 through June 29, 2023.

On October 22, 2019, the Board approved and adopted the 2019-2023 MOU between the County of Orange and the Orange County Employees Association for the Community Services, County General, Healthcare Professional, Office Services, Sheriff's Special Officer, and Supervisory Management Units for the period of July 1, 2019 through June 29, 2023.

On October 22, 2019, the Board approved and adopted the 2019-2023 MOU between the County of Orange and the Association of County Law Enforcement Managers for the Law Enforcement Unit for the period of June 21, 2019 through June 29, 2023.

On November 5, 2019, the Board approved and adopted the 2019-2023 MOU between the County of Orange and the Orange County Managers Association for the Administrative Management Unit for the period of June 21, 2019 through June 29, 2023.

On November 19, 2019, the Board approved and adopted the 2019-2023 Memorandum of Understanding (MOU) between the County of Orange and the American Federation of State, County and Municipal Employees for the Eligibility Worker Unit for the period of June 24, 2019 through June 29, 2023.



*Frank R. Bowerman Landfill*





**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	79.39%	80.46%	77.91%	76.83%	76.68%
County's proportionate share of the net pension liability	\$ 4,919,675	\$ 3,984,401	\$ 4,044,638	\$ 4,391,967	\$ 3,897,223
Covered payroll <sup>(2)</sup>	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>	386.49%	319.36%	336.98%	392.70%	325.19%
Plan fiduciary net position as a percentage of the total pension liability	68.06%	72.85%	69.56%	65.66%	68.16%

**Schedule of County Contributions <sup>(3)</sup>**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 419,159	\$ 401,323	\$ 386,138	\$ 358,103	\$ 340,626
Contributions in relation to the actuarially determined contribution	440,634	433,098	405,494	411,426	397,044
Contribution deficiency (excess)	<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>	\$ 1,237,582	\$ 1,217,880	\$ 1,223,930	\$ 1,159,319	\$ 1,158,427
Contributions as a percentage of covered payroll	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.

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 Changes in the Collective Plan Net Pension Liability  
and Related Ratios**

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	411	448	436	435	271	282
Changes of benefit terms	--	--	--	--	--	--
Difference between expected and actual experience	--	(127)	--	73	--	--
Changes of assumptions	--	480	--	73	--	--
Benefit payments, including refunds of member contributions	(1,572)	(762)	(372)	(424)	(522)	(695)
Net change in Total Pension Liability	(1,161)	39	64	157	(251)	(413)
Total Pension Liability-beginning	8,601	8,562	8,498	8,341	8,592	9,005
<b>Total Pension Liability-ending (a)</b>	<b>\$ 7,440</b>	<b>\$ 8,601</b>	<b>\$ 8,562</b>	<b>\$ 8,498</b>	<b>\$ 8,341</b>	<b>\$ 8,592</b>
<b>Plan Fiduciary Net Position</b>						
Contributions-employer	\$ 565	\$ 545	\$ 784	\$ 784	\$ 421	\$ 421
Contributions-member	--	--	--	--	--	--
Net investment income	436	295	527	123	17	15
Investment Expense	(7)	(7)	(5)	(4)	--	--
Benefit payments, including refunds of member contributions	(1,572)	(762)	(372)	(428)	(522)	(695)
Administrative expense (1)	--	--	--	--	--	--
Other	7	3	(5)	7	--	--
Net change in Plan Fiduciary Net Position	(571)	74	929	482	(84)	(259)
Plan Fiduciary Net Position-beginning	6,602	6,528	5,599	5,117	5,201	5,460
<b>Plan Fiduciary Net Position-ending (b)</b>	<b>\$ 6,031</b>	<b>\$ 6,602</b>	<b>\$ 6,528</b>	<b>\$ 5,599</b>	<b>\$ 5,117</b>	<b>\$ 5,201</b>
<b>Plan Net Pension Liability-ending (a) – (b)</b>	<b>\$ 1,409</b>	<b>\$ 1,999</b>	<b>\$ 2,034</b>	<b>\$ 2,899</b>	<b>\$ 3,224</b>	<b>\$ 3,391</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	81.06%	76.76%	76.24%	65.89%	61.35%	60.53%
<b>Covered payroll (2)</b>	\$ 3,906	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
<b>Plan Net Pension Liability as a percentage of covered payroll (2)</b>	36.07%	46.51%	43.05%	165.94%	176.27%	180.76%

**Schedule of Investment Returns**

	2019	2018	2017	2016	2015	2014
Actual money-weighted rate of return, net of investment expense	6.90%	4.53%	8.51%	2.22%	0.35%	0.26%

(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.

**Orange County Extra-Help Defined Benefit Plan (Continued)**

**Schedule of County's Proportionate Share of the  
Net Pension Liability**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
County's proportion of the net pension liability	98.12%	98.12%	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability	\$ 1,382	\$ 1,962	\$ 1,995	\$ 2,845	\$ 3,163
Covered payroll <sup>(1)</sup>	\$ 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 <sup>(1)</sup>	35.38%	45.65%	42.22%	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	81.06%	76.76%	76.24%	65.89%	61.35%

**Schedule of Collective Plan Contributions**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 555	\$ 555	\$ 784	\$ 784	\$ 421	\$ 421
Contributions in relation to the actuarially determined contribution	565	545	784	784	421	421
Contribution deficiency (excess)	<u>\$ (10)</u>	<u>\$ 10</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll <sup>(1)</sup>	\$ 3,906	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	14.46%	12.68%	16.59%	44.88%	23.02%	22.44%

**Schedule of County Contributions**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 544	\$ 545	\$ 769	\$ 769	\$ 413	\$ 421
Contributions in relation to the actuarially determined contribution	554	535	769	769	413	421
Contribution deficiency (excess)	<u>\$ (10)</u>	<u>\$ 10</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll <sup>(1)</sup>	\$ 3,906	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	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)**

**Notes to Schedule**

**Methods and assumptions used to determine contribution rates:**

Valuation date	July 1, 2017
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Remaining amortization period	5 years
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	n/a
Investment rate of return	5.25%, net of investment expenses
Retirement age	100% retirement at age 65
Participation assumption	100%
Mortality	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020
Actuarial Equivalence for Lump Sums – Mortality	417(e) lump sum table
Actuarial Equivalence for Lump Sums – Interest Rate	30-year Treasury rate with look-back month of November, current rates grading into 4.75% long-term assumption



**Orange County Retiree Medical Plan**

**Schedule of Changes in the Collective Plan Net OPEB Liability  
and Related Ratios**

	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 15,982	\$ 15,479
Interest	48,442	46,589
Benefit payments, including refunds of member contributions	(37,118)	(35,111)
Net change in Total OPEB Liability	27,306	26,957
Total OPEB Liability-beginning	694,598	667,641
<b>Total OPEB Liability-ending (a)</b>	<b>\$ 721,904</b>	<b>\$ 694,598</b>
<b>Plan Fiduciary Net Position</b>		
Contributions-employer	\$ 54,229	\$ 60,721
Contributions-employee	2,103	2,193
Net investment income	(5,746)	34,217
Benefit payments, including refunds of member contributions	(37,118)	(35,111)
Administrative expense	(21)	(22)
Net change in Plan Fiduciary Net Position	13,447	61,998
Plan Fiduciary Net Position- beginning	293,805	231,807
<b>Plan Fiduciary Net Position-ending (b)</b>	<b>\$ 307,252</b>	<b>\$ 293,805</b>
<b>Plan Net OPEB Liability-ending (a) – (b)</b>	<b>\$ 414,652</b>	<b>\$ 400,793</b>
<b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	42.56%	42.30%
<b>Covered payroll <sup>(1)</sup></b>	<b>\$ 1,346,440</b>	<b>\$ 1,313,217</b>
<b>Plan Net OPEB Liability as a percentage of covered payroll</b>	30.80%	30.52%

**Schedule of Investment Returns**

	<b>2018</b>	<b>2017</b>
Actual money-weighted rate of return, net of investment expense	(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><u>2018</u></b>	<b><u>2017</u></b>
County's proportion of the net OPEB liability	91.78%	90.84%
County's proportionate share of the net OPEB liability	\$ 380,581	\$ 364,071
Covered payroll <sup>(1)</sup>	\$ 1,234,558	\$ 1,203,106
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>30.83%</u>	<u>30.26%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.56%	42.30%

**Schedule of Collective Plan Contributions**

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

**Schedule of County Contributions**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Actuarially determined contribution	\$ 48,101	\$ 42,716
Contributions in relation to the actuarially determined contribution	52,349	46,005
Contribution deficiency (excess)	<u>\$ (4,248)</u>	<u>\$ (3,289)</u>
Covered payroll <sup>(2)</sup>	\$ 1,254,706	\$ 1,220,638
Contributions as a percentage of covered payroll	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	17 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.25%, including inflation
Investment rate of return	7.00%, net of investment expenses, including inflation
Retirement age	OCERS 2014-2016 Experience Study
Participation assumption	81%
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



*Olinda Alpha Landfill*





## **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 and Hall of Administration lots, 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 (LRA) 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.

**Orange County Public Facilities Corporation Bonds, Master Lease**

This non-budgeted fund is used to account for Orange County Public Facilities Corporation Revenue Bonds (governmental fund type components only) and for Master Lease Obligations.

**Pension Obligation Bonds**

This fund is used to account for the debt service expenditures for the Orange County Taxable Pension Obligation Bonds.

**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). Included is the Lease Revenue Refunding Bonds, Series 2012, which were issued to redeem the outstanding OCPFA 2012 JJC bonds and pay costs relating to the issuance. 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.

**Orange County Public Financing Authority**

This non-budgeted fund was established to account for the debt service expenditures for the Orange County Public Financing Authority (OCPFA). On August 16, 2005, OCPFA issued Lease Revenue Refunding Bonds Series 2005 to defease certain non-callable Recovery COPs, refund the remaining COPs, fund a debt service reserve fund, and pay the cost of issuance of the Series 2005 Bonds. The Series 2005 Bonds were fully redeemed in FY 2017-18 and the remaining reserve balance was transferred in FY 2018-19.

**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	\$ 728,981	\$ 11,973	\$ 4,830	\$ 11,339
Imprest Cash Funds	45	--	--	--
Restricted Cash and Investments with Trustee	361,413	--	69,510	--
Receivables				
Accounts	1,959	--	--	1
Taxes	22,734	--	16	--
Interest/Dividends	2,394	44	18	38
Deposits	623	--	--	--
Allowance for Uncollectible Receivables	(88)	(10)	--	--
Due from Other Funds	56,238	484	--	--
Due from Other Governmental Agencies	36,513	540	--	43
Prepaid Costs	15,785	83	--	--
Notes Receivable, Net	27,644	--	--	--
Total Assets	<u>\$ 1,254,241</u>	<u>\$ 13,114</u>	<u>\$ 74,374</u>	<u>\$ 11,421</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 39,089	\$ 678	\$ 9,016	\$ --
Retainage Payable	2,010	--	--	--
Salaries and Employee Benefits Payable	2,046	10	--	--
Interest Payable	67	--	--	--
Deposits from Others	54,430	--	--	--
Due to Other Funds	55,980	249	297	17
Due to Component Unit	3	--	--	--
Due to Other Governmental Agencies	6,802	1,624	75	--
Unearned Revenue	23,934	--	--	--
Advances from Other Funds	34,712	--	--	--
Total Liabilities	<u>219,073</u>	<u>2,561</u>	<u>9,388</u>	<u>17</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable Revenue-Intergovernmental Revenues	11,776	--	--	--
Unavailable Revenue-Property Taxes	935	--	6	--
Unavailable Revenue-Other	22	--	--	--
Total Deferred Inflows of Resources	<u>12,733</u>	<u>--</u>	<u>6</u>	<u>--</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	15,985	83	--	--
Restricted	826,311	7,901	64,980	3,385
Assigned	180,139	2,569	--	8,019
Total Fund Balances	<u>1,022,435</u>	<u>10,553</u>	<u>64,980</u>	<u>11,404</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,254,241</u>	<u>\$ 13,114</u>	<u>\$ 74,374</u>	<u>\$ 11,421</u>

Special Revenue				
Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
				<b>ASSETS</b>
\$ 20,715	\$ 87,596	\$ 123,052	\$ 75,246	Pooled Cash/Investments
--	45	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	1	1,008	139	Receivables
--	--	1,153	--	Accounts
--	308	474	285	Taxes
--	--	7	554	Interest/Dividends
--	--	--	--	Deposits
--	2,380	3,902	155	Allowance for Uncollectible Receivables
--	4,646	322	--	Due from Other Funds
--	259	5,457	--	Due from Other Governmental Agencies
--	6,420	--	--	Prepaid Costs
\$ 20,715	\$ 101,655	\$ 135,375	\$ 76,379	Notes Receivable, Net
				Total Assets
				<b>LIABILITIES</b>
\$ --	\$ 2,844	\$ 3,648	\$ 28	Accounts Payable
--	--	458	3	Retainage Payable
--	28	755	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	1	1,687	389	Deposits from Others
3,351	23,653	2,590	3,089	Due to Other Funds
--	--	--	--	Due to Component Unit
--	1,253	33	138	Due to Other Governmental Agencies
--	49	3,154	9	Unearned Revenue
--	18,712	--	--	Advances from Other Funds
3,351	46,540	12,325	3,656	Total Liabilities
				<b>DEFERRED INFLOWS OF RESOURCES</b>
--	1,263	82	--	Unavailable Revenue-Intergovernmental Revenues
--	--	569	--	Unavailable Revenue-Property Taxes
--	--	--	--	Unavailable Revenue-Other
--	1,263	651	--	Total Deferred Inflows of Resources
				<b>FUND BALANCES</b>
--	259	5,457	--	Nonspendable
17,364	35,548	104,583	72,723	Restricted
--	18,045	12,359	--	Assigned
17,364	53,852	122,399	72,723	Total Fund Balances
\$ 20,715	\$ 101,655	\$ 135,375	\$ 76,379	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	\$ 11,095	\$ 66,912	\$ 50,205	\$ 144,768
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	--	--
Receivables				
Accounts	--	191	40	158
Taxes	--	717	--	--
Interest/Dividends	43	240	30	556
Deposits	--	--	--	62
Allowance for Uncollectible Receivables	--	--	--	(74)
Due from Other Funds	7	131	6,995	1,384
Due from Other Governmental Agencies	--	305	644	21,288
Prepaid Costs	--	5,041	--	3,299
Notes Receivable, Net	19,849	--	--	--
Total Assets	<u>\$ 30,994</u>	<u>\$ 73,537</u>	<u>\$ 57,914</u>	<u>\$ 171,441</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 2	\$ 324	\$ --	\$ 5,077
Retainage Payable	--	51	--	830
Salaries and Employee Benefits Payable	--	621	--	418
Interest Payable	--	--	--	--
Deposits from Others	--	557	--	51,796
Due to Other Funds	59	6,427	8,209	3,254
Due to Component Unit	--	--	3	--
Due to Other Governmental Agencies	--	1	2,690	839
Unearned Revenue	--	23	2,581	18,118
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>61</u>	<u>8,004</u>	<u>13,483</u>	<u>80,332</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable Revenue-Intergovernmental Revenues	--	90	214	10,111
Unavailable Revenue-Property Taxes	--	360	--	--
Unavailable Revenue-Other	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>450</u>	<u>214</u>	<u>10,111</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	--	5,041	--	3,299
Restricted	30,933	60,042	30,629	77,699
Assigned	--	--	13,588	--
Total Fund Balances	<u>30,933</u>	<u>65,083</u>	<u>44,217</u>	<u>80,998</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 30,994</u>	<u>\$ 73,537</u>	<u>\$ 57,914</u>	<u>\$ 171,441</u>

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease	
				<b><u>ASSETS</u></b>
\$ 7,968	\$ 1,786	\$ 62,713	\$ --	Pooled Cash/Investments
--	--	--	--	Imprest Cash Funds
4,642	--	67	--	Restricted Cash and Investments with Trustee
421	--	--	--	Receivables
--	--	20,848	--	Accounts
32	2	261	--	Taxes
--	--	--	--	Interest/Dividends
(4)	--	--	--	Deposits
4	--	--	--	Allowance for Uncollectible Receivables
989	--	7,575	--	Due from Other Funds
1,646	--	--	--	Due from Other Governmental Agencies
1,375	--	--	--	Prepaid Costs
<u>\$ 17,073</u>	<u>\$ 1,788</u>	<u>\$ 91,464</u>	<u>\$ --</u>	Notes Receivable, Net
				Total Assets
				<b><u>LIABILITIES</u></b>
\$ 874	\$ --	\$ --	\$ --	Accounts Payable
--	--	--	--	Retainage payable
214	--	--	--	Salaries and Employee Benefits Payable
--	--	67	--	Interest Payable
--	--	--	--	Deposits from Others
1,860	--	3	--	Due to Other Funds
--	--	--	--	Due to Component Unit
12	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Unearned Revenue
--	--	--	--	Advances from Other Funds
<u>2,960</u>	<u>--</u>	<u>70</u>	<u>--</u>	Total Liabilities
				<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>
16	--	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	--	Unavailable Revenue-Property Taxes
--	--	--	--	Unavailable Revenue-Other
<u>16</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
				<b><u>FUND BALANCES</u></b>
1,646	--	--	--	Nonspendable
12,451	1,788	20,848	--	Restricted
--	--	70,546	--	Assigned
<u>14,097</u>	<u>1,788</u>	<u>91,394</u>	<u>--</u>	Total Fund Balances
<u>\$ 17,073</u>	<u>\$ 1,788</u>	<u>\$ 91,464</u>	<u>\$ --</u>	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
<b><u>ASSETS</u></b>				
Pooled Cash/Investments	\$ 14	\$ --	\$ --	\$ --
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	32,708	40,059	603	--
Receivables				
Accounts	--	--	--	--
Taxes	--	--	--	--
Interest/Dividends	--	--	--	--
Deposits	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	--	--	--	--
Due from Other Governmental Agencies	--	--	--	--
Prepaid Costs	--	--	--	--
Notes Receivable, Net	--	--	--	--
Total Assets	<u>\$ 32,722</u>	<u>\$ 40,059</u>	<u>\$ 603</u>	<u>\$ --</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ --	\$ --	\$ --	\$ --
Retainage payable	--	--	--	--
Salaries and Employee Benefits Payable	--	--	--	--
Interest Payable	--	--	--	--
Deposits from Others	--	--	--	--
Due to Other Funds	7	--	306	--
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	--	--	--	--
Unearned Revenue	--	--	--	--
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>7</u>	<u>--</u>	<u>306</u>	<u>--</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable Revenue-Intergovernmental Revenues	--	--	--	--
Unavailable Revenue-Property Taxes	--	--	--	--
Unavailable Revenue-Other	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	--	--	--	--
Restricted	32,715	40,059	297	--
Assigned	--	--	--	--
Total Fund Balances	<u>32,715</u>	<u>40,059</u>	<u>297</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 32,722</u>	<u>\$ 40,059</u>	<u>\$ 603</u>	<u>\$ --</u>

Capital Projects			Permanent	
Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
				<b><u>ASSETS</u></b>
\$ 15,514	\$ 32,898	\$ --	\$ 357	Pooled Cash/Investments
--	--	--	--	Imprest Cash Funds
--	--	213,824	--	Restricted Cash and Investments with Trustee
--	--	--	--	Receivables
--	--	--	--	Accounts
--	--	--	--	Taxes
61	--	--	2	Interest/Dividends
--	--	--	--	Deposits
--	--	--	--	Allowance for Uncollectible Receivables
16,459	24,337	--	--	Due from Other Funds
161	--	--	--	Due from Other Governmental Agencies
--	--	--	--	Prepaid Costs
--	--	--	--	Notes Receivable, Net
<u>\$ 32,195</u>	<u>\$ 57,235</u>	<u>\$ 213,824</u>	<u>\$ 359</u>	Total Assets
				<b><u>LIABILITIES</u></b>
\$ 2,044	\$ 204	\$ 14,350	\$ --	Accounts Payable
566	102	--	--	Retainage payable
--	--	--	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	--	--	--	Deposits from Others
693	1,916	--	--	Due to Other Funds
--	--	--	--	Due to Component Unit
137	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Unearned Revenue
16,000	--	--	--	Advances from Other Funds
<u>19,440</u>	<u>2,222</u>	<u>14,350</u>	<u>--</u>	Total Liabilities
				<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>
--	--	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	--	Unavailable Revenue-Property Taxes
22	--	--	--	Unavailable Revenue-Other
<u>22</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
				<b><u>FUND BALANCES</u></b>
--	--	--	200	Nonspendable
12,733	--	199,474	159	Restricted
--	55,013	--	--	Assigned
<u>12,733</u>	<u>55,013</u>	<u>199,474</u>	<u>359</u>	Total Fund Balances
<u>\$ 32,195</u>	<u>\$ 57,235</u>	<u>\$ 213,824</u>	<u>\$ 359</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
<b>Revenues</b>				
Taxes	\$ 151,447	\$ --	\$ 688	\$ --
Licenses, Permits, and Franchises	1,579	--	--	--
Fines, Forfeitures, and Penalties	17,803	--	--	--
Use of Money and Property	63,658	14,088	2,073	1,011
Intergovernmental	342,242	1,179	40	4,137
Charges for Services	41,658	145	15	1,247
Other	33,752	--	--	--
Total Revenues	<u>652,139</u>	<u>15,412</u>	<u>2,816</u>	<u>6,395</u>
<b>Expenditures</b>				
Current				
General Government	42,140	--	39,524	123
Public Protection	150	--	--	73
Public Ways and Facilities	117,600	10,660	638	1,614
Health and Sanitation	1,571	--	--	--
Public Assistance	202,581	--	--	--
Education	47,826	--	--	--
Recreation and Cultural Services	114,127	--	--	--
Capital Outlay	139,338	339	--	180
Debt Service				
Principal Retirement	68,955	--	--	--
Interest	30,165	--	--	--
Total Expenditures	<u>764,453</u>	<u>10,999</u>	<u>40,162</u>	<u>1,990</u>
Excess (Deficit) of Revenues Over Expenditures	(112,314)	4,413	(37,346)	4,405
<b>Other Financing Sources (Uses)</b>				
Transfers In	278,931	--	--	465
Transfers Out	(294,962)	(356)	--	--
Debt Issued	61,107	--	--	--
Loan Issuance	212,304	--	--	--
Total Other Financing Sources (Uses)	<u>257,380</u>	<u>(356)</u>	<u>--</u>	<u>465</u>
Net Change in Fund Balances	145,066	4,057	(37,346)	4,870
Fund Balances-Beginning of Year	877,369	6,496	102,326	6,534
Fund Balances-End of Year	<u>\$ 1,022,435</u>	<u>\$ 10,553</u>	<u>\$ 64,980</u>	<u>\$ 11,404</u>

Special Revenue			
Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor
\$ --	\$ --	\$ 93,051	\$ --
--	744	428	--
--	--	62	25
49	3,170	13,492	13,236
--	28,142	3,057	--
--	3,218	12,863	351
30,842	452	811	50
<u>30,891</u>	<u>35,726</u>	<u>123,764</u>	<u>13,662</u>
--	--	--	--
--	77	--	--
--	--	--	--
--	--	--	--
--	22,291	--	--
--	--	--	--
--	--	102,551	11,576
--	89	7,569	181
--	--	--	--
--	--	--	--
<u>--</u>	<u>22,457</u>	<u>110,120</u>	<u>11,757</u>
30,891	13,269	13,644	1,905
--	9,777	--	197
(30,097)	(27,188)	(1,416)	(155)
--	--	--	--
--	--	--	--
<u>(30,097)</u>	<u>(17,411)</u>	<u>(1,416)</u>	<u>42</u>
794	(4,142)	12,228	1,947
16,570	57,994	110,171	70,776
<u>\$ 17,364</u>	<u>\$ 53,852</u>	<u>\$ 122,399</u>	<u>\$ 72,723</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  
Loan Issuance  
Total Other Financing Sources (Uses)

Net Change in Fund Balances

Fund Balances-Beginning of Year  
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	\$ --	\$ 57,708	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	407
Fines, Forfeitures, and Penalties	--	8	7,595	4
Use of Money and Property	340	1,833	658	3,377
Intergovernmental	--	468	5,720	120,442
Charges for Services	--	909	1,134	21,615
Other	--	660	115	406
Total Revenues	<u>340</u>	<u>61,586</u>	<u>15,222</u>	<u>146,251</u>
<b>Expenditures</b>				
Current				
General Government	--	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	104,688
Health and Sanitation	--	--	1,571	--
Public Assistance	567	--	--	--
Education	--	47,826	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	738	--	13,077
Debt Service				
Principal Retirement	--	14	--	--
Interest	--	1	--	--
Total Expenditures	<u>567</u>	<u>48,579</u>	<u>1,571</u>	<u>117,765</u>
Excess (Deficit) of Revenues Over Expenditures	(227)	13,007	13,651	28,486
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	--	7,248	--
Transfers Out	--	(50)	(12,888)	(715)
Debt Issued	--	--	--	--
Loan Issuance	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(50)</u>	<u>(5,640)</u>	<u>(715)</u>
Net Change in Fund Balances	(227)	12,957	8,011	27,771
Fund Balances-Beginning of Year	31,160	52,126	36,206	53,227
Fund Balances-End of Year	<u>\$ 30,933</u>	<u>\$ 65,083</u>	<u>\$ 44,217</u>	<u>\$ 80,998</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease	
\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	Taxes
--	--	7,451	--	Licenses, Permits, and Franchises
321	30	2,250	53	Fines, Forfeitures, and Penalties
179,057	--	--	--	Use of Money and Property
29	132	--	--	Intergovernmental
416	--	--	--	Charges for Services
179,823	162	9,701	53	Other
				Total Revenues
				Expenditures
				Current
--	1	239	--	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
179,723	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
15	--	--	--	Capital Outlay
--	--	58,847	392	Debt Service
--	--	1,379	2,209	Principal Retirement
179,738	1	60,465	2,601	Interest
				Total Expenditures
85	161	(50,764)	(2,548)	Excess (Deficit) of Revenues Over Expenditures
				Other Financing Sources (Uses)
--	--	--	--	Transfers In
(44)	--	--	(220)	Transfers Out
--	--	61,107	--	Debt Issued
--	--	--	--	Loan Issuance
(44)	--	61,107	(220)	Total Other Financing Sources (Uses)
41	161	10,343	(2,768)	Net Change in Fund Balances
14,056	1,627	81,051	2,768	Fund Balances-Beginning of Year
\$ 14,097	\$ 1,788	\$ 91,394	\$ --	Fund Balances-End of Year

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (Continued)  
NONMAJOR GOVERNMENTAL FUNDS**

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	--	--	--	--
Use of Money and Property	1,145	1,469	77	--
Intergovernmental	--	--	--	--
Charges for Services	--	--	--	--
Other	--	--	--	--
Total Revenues	<u>1,145</u>	<u>1,469</u>	<u>77</u>	<u>--</u>
Expenditures				
Current				
General Government	29	1,510	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	--
Debt Service				
Principal Retirement	2,772	--	6,930	--
Interest	12,228	11,509	2,839	--
Total Expenditures	<u>15,029</u>	<u>13,019</u>	<u>9,769</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	(13,884)	(11,550)	(9,692)	--
Other Financing Sources (Uses)				
Transfers In	--	--	5,999	--
Transfers Out	--	(175,465)	(3,056)	(6)
Debt Issued	--	--	--	--
Loan Issuance	--	212,304	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>36,839</u>	<u>2,943</u>	<u>(6)</u>
Net Change in Fund Balances	(13,884)	25,289	(6,749)	(6)
Fund Balances-Beginning of Year	46,599	14,770	7,046	6
Fund Balances-End of Year	<u>\$ 32,715</u>	<u>\$ 40,059</u>	<u>\$ 297</u>	<u>\$ --</u>

Capital Projects			Permanent	
Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	Taxes
2,658	--	--	--	Licenses, Permits, and Franchises
646	25	4,304	11	Fines, Forfeitures, and Penalties
--	--	--	--	Use of Money and Property
--	--	--	--	Intergovernmental
--	--	--	--	Charges for Services
--	--	--	--	Other
<u>3,304</u>	<u>25</u>	<u>4,304</u>	<u>11</u>	Total Revenues
				Expenditures
				Current
--	714	--	--	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
25,503	2,389	89,258	--	Capital Outlay
--	--	--	--	Debt Service
--	--	--	--	Principal Retirement
<u>25,503</u>	<u>3,103</u>	<u>89,258</u>	<u>--</u>	Interest
(22,199)	(3,078)	(84,954)	11	Total Expenditures
				Excess (Deficit) of Revenues
				Over Expenditures
21,956	57,824	175,465	--	Other Financing Sources (Uses)
(971)	(42,335)	--	--	Transfers In
--	--	--	--	Transfers Out
--	--	--	--	Debt Issued
<u>20,985</u>	<u>15,489</u>	<u>175,465</u>	<u>--</u>	Loan Issuance
(1,214)	12,411	90,511	11	Total Other Financing Sources (Uses)
13,947	42,602	108,963	348	Net Change in Fund Balances
<u>\$ 12,733</u>	<u>\$ 55,013</u>	<u>\$ 199,474</u>	<u>\$ 359</u>	Fund Balances-Beginning of Year
				Fund Balances-End of Year

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019  
(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	\$ 6,208	\$ 6,208	\$ 6,812	\$ 604
Charges for Services	368	368	145	(223)
Total Revenues and Other Financing Sources	6,576	6,576	6,957	381
<b>Expenditures and Other Financing Uses</b>				
Public Ways and Facilities:				
Parking Facilities	5,505	7,138	5,333	1,805
Total Expenditures and Other Financing Uses	5,505	7,138	5,333	1,805
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	1,071	(562)	1,624	\$ 2,186
Fund Balances-Beginning of Year	1,166	1,166	1,166	
Fund Balances-End of Year	\$ 2,237	\$ 604	\$ 2,790	
<b><u>Service Area, Lighting, Maintenance, and Assessment Districts</u></b>				
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 640	\$ 644	\$ 688	\$ 44
Use of Money and Property	504	518	2,024	1,506
Intergovernmental	4	4	4	--
Charges for Services	7	7	15	8
Other	2	2	--	(2)
Transfers In	--	37	37	--
Total Revenues and Other Financing Sources	1,157	1,212	2,768	1,556
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Special Assessment-Top of the World Improvement	60	60	2	58
CFD 2015-1 RMV (Village of Esencia) Construction	1,918	120	14	106
CFD 2016-1 RMV (Village of Esencia) Construction	34,295	29,176	28,496	680
CFD 2017-1 RMV (Village of Esencia) Construction	61,835	61,872	16,720	45,152
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	3,287	3,287	307	2,980
County Service Area No. 13-La Mirada	10	10	7	3
County Service Area No. 20-La Habra	11	255	250	5
County Service Area No. 22-East Yorba Linda	53	74	74	--
Total Expenditures and Other Financing Uses	101,469	94,854	45,870	48,984
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(100,312)	(93,642)	(43,102)	\$ 50,540
Fund Balances-Beginning of Year	106,848	106,848	106,848	
Fund Balances-End of Year	\$ 6,536	\$ 13,206	\$ 63,746	
<b><u>Other Environmental Management</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 439	\$ 439	\$ 925	\$ 486
Intergovernmental	1,840	4,113	4,137	24
Charges for Services	325	325	1,247	922
Transfers In	--	465	465	--
Total Revenues and Other Financing Sources	2,604	5,342	6,774	1,432
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Real Estate Development Program	2,319	2,684	84	2,600
Air Quality Improvement	272	272	219	53
Public Protection:				
Survey Monument Preservation	400	391	72	319
Public Ways and Facilities:				
El Toro Improvement Fund	2,637	4,356	1,614	2,742
Total Expenditures and Other Financing Uses	5,628	7,703	1,989	5,714
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,024)	(2,361)	4,785	\$ 7,146
Fund Balances-Beginning of Year	6,565	6,565	6,565	
Fund Balances-End of Year	\$ 3,541	\$ 4,204	\$ 11,350	

\* 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><u>Tobacco Settlement</u></b>				
<b>Revenues and Other Financing Sources</b>				
Other	\$ 25,655	\$ 25,655	\$ 30,881	\$ 5,226
Total Revenues and Other Financing Sources	25,655	25,655	30,881	5,226
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Orange County Tobacco Settlement Fund	36,148	42,185	30,097	12,088
Total Expenditures and Other Financing Uses	36,148	42,185	30,097	12,088
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,493)	(16,530)	784	\$ 17,314
Fund Balances-Beginning of Year	16,530	16,530	16,530	
Fund Balances-End of Year	\$ 6,037	\$ --	\$ 17,314	
<b><u>Community and Welfare Services</u></b>				
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises	\$ 850	\$ 850	\$ 744	\$ (106)
Use of Money and Property	1,264	1,266	2,237	971
Intergovernmental	39,559	39,559	28,393	(11,166)
Charges for Services	3,543	3,607	3,218	(389)
Other	99	99	452	353
Transfers In	12,327	12,327	9,777	(2,550)
Total Revenues and Other Financing Sources	57,642	57,708	44,821	(12,887)
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
OC Animal Care Center Donations	76	104	75	29
OC Animal Shelter Construction Fund	3,253	3,572	3,394	178
Public Assistance:				
MHSA Housing Fund	994	1,003	21	982
Dispute Resolution Program	894	982	642	340
Domestic Violence Program	1,125	1,196	765	431
Facilities Development and Maintenance	4,368	4,369	1,942	2,427
Workforce Investment Act	20,146	20,108	11,739	8,369
County Executive Office-Single Family Housing	10	25	3	22
OC Housing	10,034	10,242	7,224	3,018
Strategic Priority Affordable Housing	203	203	107	96
In-Home Support Services Public Authority	1,770	1,770	1,713	57
SSA Donations and Fees	1,359	1,359	1,019	340
SSA Wraparound	39,930	39,932	22,916	17,016
CalHome Program Reuse Fund	1,015	1,044	--	1,044
Santa Ana Regional Center Lease Conveyance	1,315	1,315	1,315	--
Total Expenditures and Other Financing Uses	86,492	87,224	52,875	34,349
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(28,850)	(29,516)	(8,054)	\$ 21,462
Fund Balances-Beginning of Year	81,256	81,256	81,256	
Fund Balances-End of Year	\$ 52,406	\$ 51,740	\$ 73,202	
<b><u>OC Parks</u></b>				
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 89,055	\$ 89,055	\$ 93,073	\$ 4,018
Licenses, Permits, and Franchises	1,325	1,325	428	(897)
Fines, Forfeitures, and Penalties	39	39	62	23
Use of Money and Property	11,181	11,181	12,372	1,191
Intergovernmental	1,227	1,227	3,057	1,830
Charges for Services	18,138	18,138	12,863	(5,275)
Other	2,106	2,106	633	(1,473)
Transfers In	32,219	32,885	13,000	(19,885)
Total Revenues and Other Financing Sources	155,290	155,956	135,488	(20,468)
<b>Expenditures and Other Financing Uses</b>				
Recreation and Cultural Services:				
County Tideland-Newport Bay	5,883	7,396	6,221	1,175
OC Parks	156,394	157,175	110,274	46,901
OC Parks Capital	41,994	42,994	8,173	34,821
Total Expenditures and Other Financing Uses	204,271	207,565	124,668	82,897
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(48,981)	(51,609)	10,820	\$ 62,429
Fund Balances-Beginning of Year	108,933	108,933	108,933	
Fund Balances-End of Year	\$ 59,952	\$ 57,324	\$ 119,753	



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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>OC Dana Point Harbor</u></b>				
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises	\$ 10	\$ 10	\$ --	\$ (10)
Fines, Forfeitures and Penalties	96	96	24	(72)
Use of Money and Property	27,609	27,609	12,509	(15,100)
Charges for Services	700	700	351	(349)
Other	87	87	51	(36)
Transfers In	--	500	197	(303)
Total Revenues and Other Financing Sources	<u>28,502</u>	<u>29,002</u>	<u>13,132</u>	<u>(15,870)</u>
<b>Expenditures and Other Financing Uses</b>				
Recreation and Cultural Services:				
OC Dana Point Harbor	36,230	36,730	11,912	24,818
Total Expenditures and Other Financing Uses	<u>36,230</u>	<u>36,730</u>	<u>11,912</u>	<u>24,818</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(7,728)	(7,728)	1,220	<u>\$ 8,948</u>
Fund Balances-Beginning of Year	71,145	71,145	71,145	
Fund Balances-End of Year	<u>\$ 63,417</u>	<u>\$ 63,417</u>	<u>\$ 72,365</u>	
<b><u>Housing Asset</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 290	\$ 290	\$ 368	\$ 78
Other	--	--	(136)	(136)
Total Revenues and Other Financing Sources	<u>290</u>	<u>290</u>	<u>232</u>	<u>(58)</u>
<b>Expenditures and Other Financing Uses</b>				
Public Assistance:				
Orange County Development Agency Housing Asset	12,089	12,128	569	11,559
Total Expenditures and Other Financing Uses	<u>12,089</u>	<u>12,128</u>	<u>569</u>	<u>11,559</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,799)	(11,838)	(337)	<u>\$ 11,501</u>
Fund Balances-Beginning of Year	31,218	31,218	31,218	
Fund Balances-End of Year	<u>\$ 19,419</u>	<u>\$ 19,380</u>	<u>\$ 30,881</u>	
<b><u>OC Public Libraries</u></b>				
<b>Revenues and Other Financing Sources</b>				
Taxes	\$ 50,359	\$ 50,359	\$ 57,690	\$ 7,331
Fines, Forfeitures, and Penalties	19	19	8	(11)
Use of Money and Property	463	638	1,281	643
Intergovernmental	450	450	468	18
Charges for Services	961	786	909	123
Other	909	909	894	(15)
Total Revenues and Other Financing Sources	<u>53,161</u>	<u>53,161</u>	<u>61,250</u>	<u>8,089</u>
<b>Expenditures and Other Financing Uses</b>				
Education:				
OC Public Libraries-Capital	1,560	3,546	727	2,819
OC Public Libraries	57,750	58,250	47,767	10,483
Total Expenditures and Other Financing Uses	<u>59,310</u>	<u>61,796</u>	<u>48,494</u>	<u>13,302</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,149)	(8,635)	12,756	<u>\$ 21,391</u>
Fund Balances-Beginning of Year	51,582	51,582	51,582	
Fund Balances-End of Year	<u>\$ 45,433</u>	<u>\$ 42,947</u>	<u>\$ 64,338</u>	

\* 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	\$ 7,897	\$ 7,897	\$ 7,595	\$ (302)
Use of Money and Property	269	269	462	193
Intergovernmental	5,612	7,063	5,790	(1,273)
Charges for Services	1,175	1,175	1,133	(42)
Other	253	252	115	(137)
Transfers In	400	8,054	7,248	(806)
Total Revenues and Other Financing Sources	15,606	24,710	22,343	(2,367)
<b>Expenditures and Other Financing Uses</b>				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,828	2,328	1,730	598
Emergency Medical Services	7,920	7,920	7,565	355
HCA Purpose Restricted Revenues	2,561	10,061	826	9,235
HCA Interest Bearing Purpose Restricted Revenues	72	1,126	572	554
Bioterrorism Center for Disease Control	3,907	4,157	3,766	391
Total Expenditures and Other Financing Uses	16,288	25,592	14,459	11,133
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(682)	(882)	7,884	\$ 8,766
Fund Balances-Beginning of Year	36,453	36,453	36,453	
Fund Balances-End of Year	\$ 35,771	\$ 35,571	\$ 44,337	
<b>Roads</b>				
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises	\$ 330	\$ 330	\$ 407	\$ 77
Fines, Forfeitures, and Penalties	4	4	4	--
Use of Money and Property	808	808	2,331	1,523
Intergovernmental	124,600	124,600	116,351	(8,249)
Charges for Services	34,016	48,170	21,786	(26,384)
Other	16,206	20,960	449	(20,511)
Total Revenues and Other Financing Sources	175,964	194,872	141,328	(53,544)
<b>Expenditures and Other Financing Uses</b>				
Public Ways and Facilities:				
OC Road	192,376	196,966	104,326	92,640
Foothill Circulation Phasing Plan	631	631	310	321
South County Roadway Improve Prog (SCRIP)	3,313	17,467	14,154	3,313
Total Expenditures and Other Financing Uses	196,320	215,064	118,790	96,274
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(20,356)	(20,192)	22,538	\$ 42,730
Fund Balances-Beginning of Year	60,373	60,373	60,373	
Fund Balances-End of Year	\$ 40,017	\$ 40,181	\$ 82,911	

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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	\$ 138	\$ 138	\$ 240	\$ 102
Intergovernmental	173,352	173,710	178,777	5,067
Charges for Services	1	1	29	28
Other	1,199	1,199	419	(780)
Total Revenues and Other Financing Sources	174,690	175,048	179,465	4,417
<b>Expenditures and Other Financing Uses</b>				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	5,708	5,816	1,415	4,401
Orange County Housing Authority	180,960	178,574	178,367	207
Total Expenditures and Other Financing Uses	186,668	184,390	179,782	4,608
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,978)	(9,342)	(317)	\$ 9,025
Fund Balances-Beginning of Year	14,099	14,099	14,099	
Fund Balances-End of Year	\$ 2,121	\$ 4,757	\$ 13,782	
<b><u>Other Governmental Resources</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 11	\$ 11	\$ 21	\$ 10
Charges for Services	200	200	132	(68)
Total Revenues and Other Financing Sources	211	211	153	(58)
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Remittance Processing Equipment Replacement	76	76	1	75
Assessor Property Characteristic	200	200	--	200
Total Expenditures and Other Financing Uses	276	276	1	275
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(65)	(65)	152	\$ 217
Fund Balances-Beginning of Year	1,631	1,631	1,631	
Fund Balances-End of Year	\$ 1,566	\$ 1,566	\$ 1,783	

\* 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	\$ 7,324	\$ (2,176)
Use of Money and Property	225	225	1,712	1,487
Bond Issuance Proceeds	58,489	58,489	61,107	2,618
Total Revenues and Other Financing Sources	68,214	68,214	70,143	1,929
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Teeter Series A Debt Service	68,214	62,214	60,464	1,750
Total Expenditures and Other Financing Uses	68,214	62,214	60,464	1,750
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	6,000	9,679	\$ 3,679
Fund Balances-Beginning of Year	77,362	77,362	77,362	
Fund Balances-End of Year	\$ 77,362	\$ 83,362	\$ 87,041	
<b><u>Pension Obligation Bonds</u></b>				
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property	\$ 8,359	\$ 8,359	\$ 8,359	\$ --
Total Revenues and Other Financing Sources	8,359	8,359	8,359	--
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Pension Obligation Bonds Debt Service	15,045	15,045	15,029	16
Total Expenditures and Other Financing Uses	15,045	15,045	15,029	16
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,686)	(6,686)	(6,670)	\$ 16
Fund Balances-Beginning of Year	21,529	21,529	21,529	
Fund Balances-End of Year	\$ 14,843	\$ 14,843	\$ 14,859	

\* 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	\$ 2,394	\$ 2,394	\$ 2,660	\$ 266
Use of Money and Property	36	36	430	394
Intergovernmental	67,694	67,694	--	(67,694)
Transfers In	46,994	39,026	34,454	(4,572)
Total Revenues and Other Financing Sources	117,118	109,150	37,544	(71,606)
<b>Expenditures and Other Financing Uses</b>				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	22,996	26,790	8,856	17,934
Courthouse Temporary Construction	1,205	1,274	949	325
Sheriff-Coroner Construction and Facility Development	108,422	104,365	21,854	82,511
Total Expenditures and Other Financing Uses	132,623	132,429	31,659	100,770
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(15,505)	(23,279)	5,885	\$ 29,164
Fund Balances-Beginning of Year	23,566	23,566	23,566	
Fund Balances-End of Year	\$ 8,061	\$ 287	\$ 29,451	
<b><u>Countywide Capital Projects Non-General Fund</u></b>				
<b>Revenues and Other Financing Sources</b>				
Transfers In	16,971	54,770	54,770	--
Bond Issuance Proceeds	1,000	3,276	3,054	(222)
Total Revenues and Other Financing Sources	17,971	58,046	57,824	(222)
<b>Expenditures and Other Financing Uses</b>				
General Government:				
Countywide Capital Projects Non-General	50,880	70,664	40,401	30,263
Countywide IT Projects Non-General	4,313	9,731	4,988	4,743
Total Expenditures and Other Financing Uses	55,193	80,395	45,389	35,006
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(37,222)	(22,349)	12,435	\$ 34,784
Fund Balances-Beginning of Year	42,547	42,547	42,547	
Fund Balances-End of Year	\$ 5,325	\$ 20,198	\$ 54,982	

\* 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	\$ 5	\$ 5	\$ 7	\$ 2
Total Revenues and Other Financing Sources	<u>5</u>	<u>5</u>	<u>7</u>	<u>2</u>
<b>Expenditures and Other Financing Uses</b>				
Recreation and Cultural Services:				
Limestone Regional Park Mitigation Maintenance Endowment	4	4	--	4
Total Expenditures and Other Financing Uses	<u>4</u>	<u>4</u>	<u>--</u>	<u>4</u>
Excess (Deficit) of Revenues and Other Financing Sources				
Over Expenditures and Other Financing Uses	1	1	7	<u>\$ 6</u>
Fund Balances-Beginning of Year	193	193	193	
Fund Balances-End of Year	<u>\$ 194</u>	<u>\$ 194</u>	<u>\$ 200</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	\$ 266,101	\$ 38,424	\$ 7,330	\$ 105	\$ 104,834
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Receivables					
Accounts	476	51	20	--	322
Interest/Dividends	900	144	--	--	350
Allowance for Uncollectible Receivables	(87)	--	--	--	--
Due from Other Funds	2,242	178	45	--	54
Due from Other Governmental Agencies	558	256	--	--	22
Inventory of Materials and Supplies	391	--	--	--	--
Prepaid Costs	2,112	--	--	--	293
Total Current Assets	273,076	39,428	7,395	105	105,875
Noncurrent Assets					
Capital Assets					
Construction in Progress	1,285	--	--	--	--
Intangible Assets-Amortizable	118	--	--	--	118
Accumulated Amortization	(39)	--	--	--	(39)
Structures and Improvements	18,389	--	--	--	--
Accumulated Depreciation	(7,089)	--	--	--	--
Equipment	148,629	--	--	--	--
Accumulated Depreciation	(96,697)	--	--	--	--
Total Capital Assets	64,596	--	--	--	79
Total Assets	337,672	39,428	7,395	105	105,954
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Outflows of Resources Related to Pension	15,186	--	--	--	4,264
Deferred Outflows of Resources Related to OPEB	519	--	--	--	190
Total Deferred Outflows of Resources	15,705	--	--	--	4,454
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	13,950	434	--	--	1,607
Retainage Payable	221	--	--	--	--
Salaries and Employee Benefits Payable	552	--	--	--	70
Due to Other Funds	804	2	--	--	12
Due to Other Governmental Agencies	3	--	--	--	--
Insurance Claims Payable	61,786	14,886	--	--	30,256
Compensated Employee Absences Payable	1,177	--	--	--	142
Capital Lease Obligations Payable	609	--	--	--	--
Total Current Liabilities	79,102	15,322	--	--	32,087
Noncurrent Liabilities					
Insurance Claims Payable	158,286	--	--	--	119,252
Compensated Employee Absences Payable	1,053	--	--	--	87
Capital Lease Obligations Payable	2,110	--	--	--	--
Net Pension Liability	49,872	--	--	--	11,466
Net OPEB Liability	4,727	--	--	--	1,712
Total Noncurrent Liabilities	216,048	--	--	--	132,517
Total Liabilities	295,150	15,322	--	--	164,604
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of Resources Related to Pension	2,884	--	--	--	261
Total Deferred Inflows of Resources	2,884	--	--	--	261
<b>NET POSITION</b>					
Net Investment in Capital Assets	61,656	--	--	--	79
Unrestricted	(6,313)	24,106	7,395	105	(54,536)
Total Net Position	\$ 55,343	\$ 24,106	\$ 7,395	\$ 105	\$ (54,457)

Supplemental Information  
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
\$ 7,522	\$ 75,884	\$ 21,967	\$ 4,302	\$ 5,733	<b>ASSETS</b>
--	--	--	--	--	Current Assets
--	5	--	--	3	Pooled Cash/Investments
--	4	55	--	24	Cash/Cash Equivalents
29	254	68	14	41	Imprest Cash Funds
--	--	(56)	--	(31)	Receivables
--	243	1,556	--	166	Accounts
--	19	10	--	251	Interest/Dividends
--	--	391	--	--	Allowance for Uncollectible Receivables
--	142	682	150	845	Due from Other Funds
7,551	76,551	24,673	4,466	7,032	Due from Other Governmental Agencies
					Inventory of Materials and Supplies
					Prepaid Costs
					Total Current Assets
					Noncurrent Assets
--	--	--	--	1,285	Capital Assets
--	--	--	--	--	Construction in Progress
--	--	--	--	--	Intangible Assets-Amortizable
--	--	9,798	559	8,032	Accumulated Amortization
--	--	(5,722)	(23)	(1,344)	Structures and Improvements
--	--	60,794	4,850	82,985	Accumulated Depreciation
--	--	(27,398)	(1,443)	(67,856)	Equipment
--	--	37,472	3,943	23,102	Accumulated Depreciation
7,551	76,551	62,145	8,409	30,134	Total Capital Assets
					Total Assets
					<b>DEFERRED OUTFLOWS OF RESOURCES</b>
--	911	4,288	812	4,911	Deferred Outflows of Resources Related to Pension
--	26	127	21	155	Deferred Outflows of Resources Related to OPEB
--	937	4,415	833	5,066	Total Deferred Outflows of Resources
					<b>LIABILITIES</b>
--	1,837	90	138	9,844	Current Liabilities
--	--	--	1	220	Accounts Payable
--	36	192	34	220	Retainage Payable
26	4	269	313	178	Salaries and Employee Benefits Payable
--	--	1	2	--	Due to Other Funds
937	15,707	--	--	--	Due to Other Governmental Agencies
--	103	377	49	506	Insurance Claims Payable
--	--	--	609	--	Compensated Employee Absences Payable
963	17,687	929	1,146	10,968	Capital Lease Obligations Payable
					Total Current Liabilities
--	39,034	--	--	--	Noncurrent Liabilities
--	83	405	26	452	Insurance Claims Payable
--	--	--	2,110	--	Compensated Employee Absences Payable
--	3,431	15,318	2,930	16,727	Capital Lease Obligations Payable
--	249	1,188	191	1,387	Net Pension Liability
--	42,797	16,911	5,257	18,566	Net OPEB Liability
963	60,484	17,840	6,403	29,534	Total Noncurrent Liabilities
					Total Liabilities
					<b>DEFERRED INFLOWS OF RESOURCES</b>
--	271	1,100	208	1,044	Deferred Inflows of Resources Related to Pension
--	271	1,100	208	1,044	Total Deferred Inflows of Resources
					<b>NET POSITION</b>
--	--	37,472	1,223	22,882	Net Investment in Capital Assets
6,588	16,733	10,148	1,408	(18,260)	Unrestricted
\$ 6,588	\$ 16,733	\$ 47,620	\$ 2,631	\$ 4,622	Total Net Position

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019  
(Dollar Amounts in Thousands)

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	\$ 1,582	\$ --	\$ --	\$ --	\$ --
Charges for Services	108,682	1,753	--	--	--
Insurance Premiums	337,384	66,718	178,763	848	60,081
Total Operating Revenues	<u>447,648</u>	<u>68,471</u>	<u>178,763</u>	<u>848</u>	<u>60,081</u>
Operating Expenses					
Salaries and Employee Benefits	26,375	--	--	--	3,778
Services and Supplies	30,706	1,776	--	--	336
Professional Services	75,694	4,765	--	--	5,519
Operating Leases	10,826	--	--	--	153
Insurance Claims and Premiums	315,402	69,241	179,162	874	40,092
Other Charges	256	256	--	--	--
Taxes and Other Fees	8	--	--	--	--
Depreciation/Amortization	19,147	--	--	--	24
Total Operating Expenses	<u>478,414</u>	<u>76,038</u>	<u>179,162</u>	<u>874</u>	<u>49,902</u>
Operating Income (Loss)	<u>(30,766)</u>	<u>(7,567)</u>	<u>(399)</u>	<u>(26)</u>	<u>10,179</u>
Nonoperating Revenues (Expenses)					
Intergovernmental Revenues	1,182	934	--	--	--
Interest and Investment Income	7,433	1,151	3	--	2,799
Interest Expense	(44)	--	--	--	--
Gain on Disposition of Capital Assets	601	--	--	--	--
Other Revenue	5,568	4,176	259	--	369
Total Nonoperating Revenues	<u>14,740</u>	<u>6,261</u>	<u>262</u>	<u>--</u>	<u>3,168</u>
Income (Loss) Before Contributions and Transfers	(16,026)	(1,306)	(137)	(26)	13,347
Capital Contributions	197	--	--	--	--
Transfers In	5,471	937	--	--	278
Transfers Out	(248)	--	--	--	--
Change in Net Position	<u>(10,606)</u>	<u>(369)</u>	<u>(137)</u>	<u>(26)</u>	<u>13,625</u>
Net Position-Beginning of Year	65,949	24,475	7,532	131	(68,082)
Net Position-End of Year	<u>\$ 55,343</u>	<u>\$ 24,106</u>	<u>\$ 7,395</u>	<u>\$ 105</u>	<u>\$ (54,457)</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
\$ --	\$ --	\$ --	\$ --	\$ 1,582	Operating Revenues
--	--	27,862	4,694	74,373	Use of Money and Property
--	30,974	--	--	--	Charges for Services
--	30,974	27,862	4,694	75,955	Insurance Premiums
					Total Operating Revenues
					Operating Expenses
--	1,676	8,915	1,538	10,468	Salaries and Employee Benefits
--	7,961	10,000	1,525	9,108	Services and Supplies
48	586	2,297	334	62,145	Professional Services
--	165	34	569	9,905	Operating Leases
917	25,116	--	--	--	Insurance Claims and Premiums
--	--	--	--	--	Other Charges
--	--	8	--	--	Taxes and Other Fees
--	--	6,322	197	12,604	Depreciation/Amortization
965	35,504	27,576	4,163	104,230	Total Operating Expenses
(965)	(4,530)	286	531	(28,275)	Operating Income (Loss)
					Nonoperating Revenues (Expenses)
--	--	--	--	248	Intergovernmental Revenues
243	2,002	562	117	556	Interest and Investment Income
--	--	--	(44)	--	Interest Expense
--	--	601	--	--	Gain on Disposition of Capital Assets
--	649	39	65	11	Other Revenue
243	2,651	1,202	138	815	Total Nonoperating Revenues
(722)	(1,879)	1,488	669	(27,460)	Income (Loss) Before Contributions and Transfers
--	--	87	--	110	Capital Contributions
--	--	4,256	--	--	Transfers In
--	--	(215)	(21)	(12)	Transfers Out
(722)	(1,879)	5,616	648	(27,362)	Change in Net Position
7,310	18,612	42,004	1,983	31,984	Net Position-Beginning of Year
\$ 6,588	\$ 16,733	\$ 47,620	\$ 2,631	\$ 4,622	Net Position-End of Year

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019  
(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	\$ 36,036	\$ 1,727	\$ 7	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	337,384	66,718	178,763	848	60,081
Payments to Suppliers for Goods and Services	(404,625)	(73,605)	(179,162)	(874)	(45,890)
Payments to Employees for Services	(24,560)	--	--	--	(3,076)
Payments for Interfund Services	(242)	--	--	--	--
Receipts for Interfund Services	75,460	693	150	--	8
Payment for Taxes and Other Fees	(8)	--	--	--	--
Other Operating Receipts	5,568	4,176	259	--	369
Other Operating Payments	(11,388)	(256)	--	--	(455)
Net Cash Provided (Used) by Operating Activities	13,625	(547)	17	(26)	11,037
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers In	5,471	937	--	--	278
Transfers Out	(248)	--	--	--	--
Intergovernmental Revenues	1,182	934	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	6,405	1,871	--	--	278
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of Capital Assets	(18,057)	--	--	--	(1)
Principal Paid on Capital Lease Obligations	(469)	--	--	--	--
Interest Paid on Capital Lease Obligations	(44)	--	--	--	--
Proceeds from Sale of Capital Assets	601	--	--	--	--
Net Cash Used by Capital and Related Financing Activities	(17,969)	--	--	--	(1)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Interest on Investments	7,223	1,115	3	--	2,689
Net Cash Provided by Investing Activities	7,223	1,115	3	--	2,689
Net Increase (Decrease) in Cash and Cash Equivalents	9,284	2,439	20	(26)	14,003
Cash and Cash Equivalents-Beginning of Year	257,200	36,360	7,310	131	90,831
Cash and Cash Equivalents-End of Year	\$ 266,484	\$ 38,799	\$ 7,330	\$ 105	\$ 104,834
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ (30,766)	\$ (7,567)	\$ (399)	\$ (26)	\$ 10,179
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	19,147	--	--	--	24
Other Revenue	5,568	4,176	259	--	369
(Increases) Decreases In:					
Accounts Receivable, Net of Allowances	(283)	(45)	6	--	(322)
Due from Other Funds	754	696	150	--	7
Due from Other Governmental Agencies	122	19	1	--	20
Inventory of Materials and Supplies	(6)	--	--	--	--
Prepaid Costs	(233)	--	--	--	(38)
Deferred Outflows of Resources Related to Pension	(4,030)	--	--	--	(1,465)
Deferred Outflows of Resources Related to OPEB	(220)	--	--	--	(82)
Increases (Decreases) In:					
Accounts Payable	1,102	(33)	--	--	782
Salaries and Employee Benefits Payable	37	--	--	--	7
Due to Other Funds	91	(3)	--	--	1
Due to Other Governmental Agencies	1	--	--	--	--
Insurance Claims Payable	16,313	2,210	--	--	(687)
Compensated Employee Absences Payable	(146)	--	--	--	(35)
Net Pension Liability	12,104	--	--	--	4,460
Net OPEB Liability	213	--	--	--	79
Deferred Inflows of Resources Related to Pension	(5,990)	--	--	--	(2,207)
Deferred Inflows of Resources Related to OPEB	(153)	--	--	--	(55)
Total Adjustments	44,391	7,020	416	--	858
Net Cash Provided (Used) by Operating Activities	\$ 13,625	\$ (547)	\$ 17	\$ (26)	\$ 11,037
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</b>					
Pooled Cash/Investments	\$ 266,101	\$ 38,424	\$ 7,330	\$ 105	\$ 104,834
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Total Cash and Cash Equivalents	\$ 266,484	\$ 38,799	\$ 7,330	\$ 105	\$ 104,834

Supplemental Information  
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
\$ --	\$ --	\$ 27,867	\$ 4,698	\$ 1,737
--	30,974	--	--	--
(842)	(19,037)	(12,965)	(1,975)	(70,275)
--	(1,576)	(8,497)	(1,500)	(9,911)
--	(29)	(213)	--	--
26	--	--	305	74,278
--	--	(8)	--	--
--	649	39	65	11
--	(169)	(34)	(569)	(9,905)
<u>(816)</u>	<u>10,812</u>	<u>6,189</u>	<u>1,024</u>	<u>(14,065)</u>
--	--	4,256	--	--
--	--	(215)	(21)	(12)
--	--	--	--	248
<u>--</u>	<u>--</u>	<u>4,041</u>	<u>(21)</u>	<u>236</u>
--	--	(6,773)	(510)	(10,773)
--	--	--	(469)	--
--	--	--	(44)	--
--	--	601	--	--
<u>--</u>	<u>--</u>	<u>(6,172)</u>	<u>(1,023)</u>	<u>(10,773)</u>
238	1,925	540	114	599
<u>238</u>	<u>1,925</u>	<u>540</u>	<u>114</u>	<u>599</u>
(578)	12,737	4,598	94	(24,003)
8,100	63,152	17,369	4,208	29,739
<u>\$ 7,522</u>	<u>\$ 75,889</u>	<u>\$ 21,967</u>	<u>\$ 4,302</u>	<u>\$ 5,736</u>

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers  
Cash Received for Premiums Within the County's Entity  
Payments to Suppliers for Goods and Services  
Payments to Employees for Services  
Payments for Interfund Services  
Receipts for Interfund Services  
Payment for Taxes and Other Fees  
Other Operating Receipts  
Other Operating Payments  
Net Cash Provided (Used) by Operating Activities

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers In  
Transfers Out  
Intergovernmental Revenues  
Net Cash Provided (Used) by Noncapital Financing Activities

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Capital Assets  
Principal Paid on Capital Lease Obligations  
Interest Paid on Capital Lease Obligations  
Proceeds from Sale of Capital Assets  
Net Cash Used by Capital and Related Financing Activities

**CASH FLOW FROM INVESTING ACTIVITIES**

Interest on Investments  
Net Cash Provided by Investing Activities

Net Increase (Decrease) in Cash and Cash Equivalents  
Cash and Cash Equivalents-Beginning of Year  
Cash and Cash Equivalents-End of Year

\$ (965)	\$ (4,530)	\$ 286	\$ 531	\$ (28,275)
--	--	6,322	197	12,604
--	649	39	65	11
--	(1)	1	4	74
--	(30)	71	--	(140)
--	(3)	4	--	81
--	--	(6)	--	--
--	(12)	(34)	(72)	(77)
--	(192)	(985)	(212)	(1,176)
--	(10)	(52)	(9)	(67)
(13)	(16)	(628)	(45)	1,055
--	2	18	4	6
26	1	(284)	305	45
--	--	--	1	--
136	14,654	--	--	--
--	--	(52)	3	(62)
--	590	2,923	494	3,637
--	10	52	8	64
--	(292)	(1,447)	(244)	(1,800)
--	(8)	(39)	(6)	(45)
149	15,342	5,903	493	14,210
<u>(816)</u>	<u>10,812</u>	<u>6,189</u>	<u>1,024</u>	<u>(14,065)</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating Income (Loss)  
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:  
Depreciation/Amortization  
Other Revenue  
(Increases) Decreases In:  
Accounts Receivable, Net of Allowances  
Due from Other Funds  
Due from Other Governmental Agencies  
Inventory of Materials and Supplies  
Prepaid Costs  
Deferred Outflows of Resources Related to Pension  
Deferred Outflows of Resources Related to OPEB  
Increases (Decreases) In:  
Accounts Payable  
Salaries and Employee Benefits Payable  
Due to Other Funds  
Due to Other Governmental Agencies  
Insurance Claims Payable  
Compensated Employee Absences Payable  
Net Pension Liability  
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

**Reconciliation of Cash and Cash Equivalents to Statement of Net Position**

Pooled Cash/Investments  
Cash/Cash Equivalents  
Imprest Cash Funds  
Total Cash and Cash Equivalents

\$ 7,522	\$ 75,884	\$ 21,967	\$ 4,302	\$ 5,733
--	--	--	--	--
--	5	--	--	3
<u>\$ 7,522</u>	<u>\$ 75,889</u>	<u>\$ 21,967</u>	<u>\$ 4,302</u>	<u>\$ 5,736</u>

## **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, and decedents' property held for escheatment.

#### **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 the Orange County Employees Retirement System (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 by checks issued by the County Auditor-Controller upon requisition of the responsible officer.



**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	\$ 60,968	\$ 58,453	\$ 2,515
Restricted Cash and Investments			
Restricted Investments with Trustee	4,703	--	4,703
Receivables			
Interest/Dividends	317	299	18
Due from Other Governmental Agencies	1	--	1
Land and Improvements Held for Resale	133	--	133
Total Assets	<u>66,122</u>	<u>58,752</u>	<u>7,370</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charge on Refunding	212	--	212
Total Deferred Outflows of Resources	<u>212</u>	<u>--</u>	<u>212</u>
<b><u>LIABILITIES</u></b>			
Bonds Payable	18,090	--	18,090
Interest Payable	238	--	238
Due to Other Governmental Agencies	19	3	16
Total Liabilities	<u>18,347</u>	<u>3</u>	<u>18,344</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Charge on Refunding	79	--	79
Total Deferred Inflows of Resources	<u>79</u>	<u>--</u>	<u>79</u>
<b><u>NET POSITION</u></b>			
Restricted for Private-Purpose Trust Funds	47,908	58,749	(10,841)
Net Position (Deficit)	<u>\$ 47,908</u>	<u>\$ 58,749</u>	<u>\$ (10,841)</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	\$ 71,594	\$ 71,594	\$ --
Intergovernmental Revenues	2,159	--	2,159
Interest and Investment Income	2,024	1,814	210
Less: Investment Expense	(33)	(30)	(3)
Total Additions	<u>75,744</u>	<u>73,378</u>	<u>2,366</u>
Deductions:			
Distributions from Private-Purpose Trust	70,739	70,739	--
Professional Services	120	--	120
Tax Pass-Throughs	187	--	187
Interest Expense	570	--	570
Total Deductions	<u>71,616</u>	<u>70,739</u>	<u>877</u>
Change in Net Position	4,128	2,639	1,489
Net Position (Deficit)-Beginning of Year	43,780	56,110	(12,330)
Net Position (Deficit)-End of Year	<u>\$ 47,908</u>	<u>\$ 58,749</u>	<u>\$ (10,841)</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	\$ 2,757	\$ 2	\$ --	\$ --
Restricted Cash and Investments				
Restricted Investments with Trustee	171,797	6,029	8,284	17,447
Pooled with OCERS	306,511	--	--	--
Receivables				
Investments	66	--	--	--
Interest/Dividends	41	--	--	--
Due from Other Governmental Agencies	1,636	--	20	26
Total Assets	<u>482,808</u>	<u>6,031</u>	<u>8,304</u>	<u>17,473</u>
<b><u>LIABILITIES</u></b>				
Salaries and Employee Benefits Payable	<u>3,318</u>	--	--	--
Total Liabilities	<u>3,318</u>	--	--	--
<b><u>NET POSITION</u></b>				
Restricted for Pension and OPEB Benefits	479,490	6,031	8,304	17,473
Net Position	<u>\$ 479,490</u>	<u>\$ 6,031</u>	<u>\$ 8,304</u>	<u>\$ 17,473</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts) *	Health Reimbursement Arrangement Plan
\$ 1	\$ 2,706	\$ 48
7,294	--	132,743
--	306,511	--
--	66	--
--	40	1
62	1,247	281
<u>7,357</u>	<u>310,570</u>	<u>133,073</u>
--	3,318	--
<u>--</u>	<u>3,318</u>	<u>--</u>
7,357	307,252	133,073
<u>\$ 7,357</u>	<u>\$ 307,252</u>	<u>\$ 133,073</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

**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	\$ 69,542	\$ 565	\$ --	\$ 1,064
Employee	3,737	--	948	--
Other Revenues	7	7	--	--
Interest and Investment Income (Loss)	3,936	436	180	832
Less: Investment Expense	(813)	(7)	(9)	(19)
Total Additions	<u>76,409</u>	<u>1,001</u>	<u>1,119</u>	<u>1,877</u>
Deductions:				
Benefits Paid to Participants	43,232	1,572	797	917
Professional Services	16	--	--	--
Total Deductions	<u>43,248</u>	<u>1,572</u>	<u>797</u>	<u>917</u>
Change in Net Position	33,161	(571)	322	960
Net Position-Beginning of Year	446,329	6,602	7,982	16,513
Net Position-End of Year	<u>\$ 479,490</u>	<u>\$ 6,031</u>	<u>\$ 8,304</u>	<u>\$ 17,473</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan	
\$ 2,283	\$ 54,229	\$ 11,401	Additions:
--	2,103	686	Contributions to Pension and Other Employee Benefits Trust:
--	--	--	Employer
378	(5,746)	7,856	Employee
(14)	(5)	(759)	Other Revenues
2,647	50,581	19,184	Interest and Investment Income (Loss)
			Less: Investment Expense
			Total Additions
4	37,118	2,824	Deductions:
--	16	--	Benefits Paid to Participants
4	37,134	2,824	Administrative Expense
			Total Deductions
2,643	13,447	16,360	Change in Net Position
4,714	293,805	116,713	
\$ 7,357	\$ 307,252	\$ 133,073	Net Position-Beginning of Year
			Net Position-End of Year

\* The Trust Plan is presented as of 12/31/18

**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	\$ 315,053	\$ 160,136	\$ 154,917
Cash/Cash Equivalents	302	--	302
Restricted Cash and Investments with Trustee	29,830	--	29,830
Deposits In-Lieu of Cash	49,812	--	49,812
Receivables			
Accounts	690	--	690
Taxes	349,041	349,041	--
Interest/Dividends	27,672	27,051	621
Allowance For Uncollectible Receivables	(195,914)	(195,913)	(1)
Due from Other Governmental Agencies	8,301	11	8,290
Notes Receivable	30,116	--	30,116
Total Assets	<u>614,903</u>	<u>340,326</u>	<u>274,577</u>
<b><u>LIABILITIES</u></b>			
Interest Payable	31,227	31,227	--
Deposits from Others	20,774	--	20,774
Monies Held for Others	188,345	--	188,345
Due to Other Governmental Agencies	65,459	1	65,458
Unapportioned Taxes	309,098	309,098	--
Total Liabilities	<u>614,903</u>	<u>340,326</u>	<u>274,577</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	\$ 166,968	\$ 9,575,031	\$ 9,581,863	\$ 160,136
Receivables				
Taxes	307,035	19,936,626	19,894,620	349,041
Interest/Dividends	20,451	194,150	187,550	27,051
Allowance for Uncollectible Receivables	(186,776)	--	9,137	(195,913)
Due from Other Governmental Agencies	274	15,011	15,274	11
Total Assets	<u>\$ 307,952</u>	<u>\$ 29,720,818</u>	<u>\$ 29,688,444</u>	<u>\$ 340,326</u>
<b><u>LIABILITIES</u></b>				
Interest Payable	\$ 16,184	\$ 99,037	\$ 83,994	\$ 31,227
Due to Other Governmental Agencies	--	80,892	80,891	1
Unapportioned Taxes	291,768	12,844,773	12,827,443	309,098
Total Liabilities	<u>\$ 307,952</u>	<u>\$ 13,024,702</u>	<u>\$ 12,992,328</u>	<u>\$ 340,326</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	\$ 162,611	\$ 3,583,712	\$ 3,591,406	\$ 154,917
Cash/Cash Equivalents	244	127	69	302
Restricted Cash and Investments with Trustee	41,482	113,094	124,746	29,830
Investments	1,082	--	1,082	--
Deposits In-Lieu of Cash	56,160	95	6,443	49,812
Receivables				
Accounts	560	709	579	690
Interest/Dividends	470	3,174	3,023	621
Allowance for Uncollectible Receivables	(1)	--	--	(1)
Due from Other Governmental Agencies	6,709	727,538	725,957	8,290
Prepaid Costs	--	8,161	8,161	--
Notes Receivable	28,994	1,504	382	30,116
Total Assets	<u>\$ 298,311</u>	<u>\$ 4,438,114</u>	<u>\$ 4,461,848</u>	<u>\$ 274,577</u>
<b><u>LIABILITIES</u></b>				
Deposits From Others	\$ 23,865	\$ 19,124	\$ 22,215	\$ 20,774
Monies Held for Others	198,352	6,070,369	6,080,376	188,345
Due to Other Governmental Agencies	76,094	1,208,536	1,219,172	65,458
Total Liabilities	<u>\$ 298,311</u>	<u>\$ 7,298,029</u>	<u>\$ 7,321,763</u>	<u>\$ 274,577</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	\$ 329,579	\$ 13,158,743	\$ 13,173,269	\$ 315,053
Cash/Cash Equivalents	244	127	69	302
Restricted Cash and Investments with Trustee	41,482	113,094	124,746	29,830
Investments	1,082	--	1,082	--
Deposits In-Lieu of Cash	56,160	95	6,443	49,812
Receivables				
Accounts	560	709	579	690
Taxes	307,035	19,936,626	19,894,620	349,041
Interest/Dividends	20,921	197,324	190,573	27,672
Allowance for Uncollectible Receivables	(186,777)	--	9,137	(195,914)
Due from Other Governmental Agencies	6,983	742,549	741,231	8,301
Prepaid Costs	--	8,161	8,161	--
Notes Receivable	28,994	1,504	382	30,116
Total Assets	<u>\$ 606,263</u>	<u>\$ 34,158,932</u>	<u>\$ 34,150,292</u>	<u>\$ 614,903</u>
<b><u>LIABILITIES</u></b>				
Interest Payable	\$ 16,184	\$ 99,037	\$ 83,994	\$ 31,227
Deposits from Others	23,865	19,124	22,215	20,774
Monies Held for Others	198,352	6,070,369	6,080,376	188,345
Due to Other Governmental Agencies	76,094	1,289,428	1,300,063	65,459
Unapportioned Taxes	291,768	12,844,773	12,827,443	309,098
Total Liabilities	<u>\$ 606,263</u>	<u>\$ 20,322,731</u>	<u>\$ 20,314,091</u>	<u>\$ 614,903</u>





*Frank R. Bowerman Landfill*



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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.

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These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	197
<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.	209
<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.	214
<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.	219
<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.	221

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				
	2018-19	2017-18	2016-17 <sup>(3)</sup>	2015-16	2014-15 <sup>(3)</sup>
<b>Governmental Activities</b>					
Net Investment in Capital Assets	\$ 3,127,371	\$ 3,031,574	\$ 2,813,296	\$ 2,707,493	\$ 2,670,577
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	143,647	135,485	125,876	111,639	112,544
Capital Projects	212,897	123,245	164,400	10,836	6,154
Debt Service	28,370	25,792	33,409	36,380	37,734
Legally Segregated for Grants and Other Purposes	1,202,317	1,148,735	1,192,827	1,103,257	1,045,897
Regional Park Endowment	159	148	145	144	141
Nonexpendable					
Regional Park Endowment	200	200	196	193	188
Unrestricted	(3,582,580)	(3,312,306)	(3,074,958)	(2,979,945)	(2,991,814)
Total Governmental Activities Net Position	\$ 1,132,381	\$ 1,152,873	\$ 1,255,191	\$ 989,997	\$ 881,421
<b>Business-Type Activities</b>					
Net Investment in Capital Assets	858,924	799,668	\$ 708,286	\$ 663,280	\$ 642,427
Restricted for:					
Expendable					
Debt Service	2,029	8,672	36,181	8,499	7,324
Passenger Facility Charges					
Approved Capital Projects	3,282	12,044	2,775	14,705	70,538
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	28,531	26,655	28,962	33,997	33,337
Landfill Corrective Action	8,619	8,358	8,278	8,245	8,174
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	491,359	454,482	463,495	465,003	362,546
Total Business-Type Activities Net Position	\$ 1,394,727	\$ 1,311,862	\$ 1,249,960	\$ 1,195,712	\$ 1,126,329

- 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					
2013-14	2012-13	2011-12 <sup>(3)</sup>	2010-11	2009-10	
\$ 2,646,812	\$ 2,563,976	\$ 2,699,809	\$ 2,626,281	\$ 2,560,468	<b>Governmental Activities</b>
					Net Investment in Capital Assets
					Restricted for:
					Expendable
--	--	-- (1)	41,609	43,580	OPEB
109,986	105,900	96,604	107,807	--	Pension Benefits
8,661	11,904	16,269	56,219	58,947	Capital Projects
37,639	31,965	--	87,253	76,936	Debt Service
					Legally Segregated for Grants
1,190,106	1,174,791	1,077,117	1,133,256	1,069,801	and Other Purposes
140	139	--	--	--	Regional Park Endowment
					Nonexpendable
185	183	319	315	154	Regional Park Endowment
331,408	196,850	37,790	(73,741)	(9,986)	Unrestricted
<u>\$ 4,324,937</u>	<u>\$ 4,085,708</u>	<u>\$ 3,927,908</u>	<u>\$ 3,978,999</u>	<u>\$ 3,799,900</u>	Total Governmental Activities Net Position
					<b>Business-Type Activities</b>
\$ 624,621	\$ 587,934	\$ 574,982	\$ 591,664	\$ 537,375	Net Investment in Capital Assets
					Restricted for:
					Expendable
7,090	58,772	--	--	--	Debt Service
		--	--	--	Passenger Facility Charges
62,522	55,331	--	--	--	Approved Capital Projects
1,000	1,000	--	--	--	Replacements and Renewals
37,412	40,355	--	--	--	Landfill Closure/Postclosure
7,141	6,109	--	--	--	Landfill Corrective Action
879	879	--	--	--	Wetland
104	104	--	--	--	Prima Deshecha/La Pata Closure
--	--	58,149	50,899	48,225	Airport <sup>(2)</sup>
--	--	82,205	84,070	86,943	OC Waste & Recycling <sup>(2)</sup>
384,871	335,122	350,474	313,568	321,778	Unrestricted
<u>\$ 1,125,640</u>	<u>\$ 1,085,606</u>	<u>\$ 1,065,810</u>	<u>\$ 1,040,201</u>	<u>\$ 994,321</u>	Total Business-Type Activities Net Position



**Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting) (Continued)**

	Fiscal Year				
	2018-19	2017-18	2016-17 <sup>(3)</sup>	2015-16	2014-15
<b>Primary Government</b>					
Net Investment in Capital Assets	\$ 3,986,295	\$ 3,831,242	\$ 3,521,582	\$ 3,370,773	\$ 3,313,004
Restricted for:					
Expendable					
OPEB <sup>(1)</sup>	--	--	--	--	--
Pension Benefits	143,647	135,485	125,876	111,639	112,544
Capital Projects	212,897	123,245	164,400	10,836	6,154
Debt Service	30,399	34,464	69,590	44,879	45,058
Legally Segregated for Grants and Other Purposes	1,202,317	1,148,735	1,192,827	1,103,257	1,045,897
Regional Park Endowment	159	148	145	144	141
Passenger Facility Charges					
Approved Capital Projects	3,282	12,044	2,775	14,705	70,538
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	28,531	26,655	28,962	33,997	33,337
Landfill Corrective Action	8,619	8,358	8,278	8,245	8,174
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	196	193	188
Unrestricted	(3,091,221)	(2,857,824)	(2,611,463)	(2,514,942)	(2,629,268)
<b>Total Primary Government Net Position</b>	<b>\$ 2,527,108</b>	<b>\$ 2,464,735</b>	<b>\$ 2,505,151</b>	<b>\$ 2,185,709</b>	<b>\$ 2,007,750</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					
2013-14 <sup>(3)</sup>	2012-13	2011-12 <sup>(3)</sup>	2010-11	2009-10	
\$ 3,271,433	\$ 3,151,910	\$ 3,274,791	\$ 3,217,945	\$ 3,097,843	<b>Primary Government</b>
					Net Investment in Capital Assets
					Restricted for:
					Expendable
--	--	-- <sup>(1)</sup>	41,609	43,580	OPEB <sup>(1)</sup>
109,986	105,900	96,604	107,807	--	Pension Benefits
8,661	11,904	16,269	56,219	58,947	Capital Projects
44,729	90,737	--	87,253	76,936	Debt Service
					Legally Segregated for Grants
1,190,106	1,174,791	1,077,117	1,133,256	1,069,801	and Other Purposes
140	139	--	--	--	Regional Park Endowment
					Passenger Facility Charges
62,522	55,331	--	--	--	Approved Capital Projects
1,000	1,000	--	--	--	Replacements and Renewals
37,412	40,355	--	--	--	Landfill Closure/Postclosure
7,141	6,109	--	--	--	Landfill Corrective Action
879	879	--	--	--	Wetland
104	104	--	--	--	Prima Deshecha/La Pata Closure
--	--	58,149	50,899	48,225	Airport <sup>(2)</sup>
--	--	82,205	84,070	86,943	OC Waste & Recycling <sup>(2)</sup>
					Nonexpendable
185	183	319	315	154	Regional Park Endowment
716,279	531,972	388,264	239,827	311,792	Unrestricted
<u>\$ 5,450,577</u>	<u>\$ 5,171,314</u>	<u>\$ 4,993,718</u>	<u>\$ 5,019,200</u>	<u>\$ 4,794,221</u>	<b>Total Primary Government Net Position</b>

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019  
(Dollar Amounts in Thousands)

**Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)**

	Fiscal Year				
	2018-19	2017-18	2016-17 <sup>(1)</sup>	2015-16	2014-15
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 221,830	\$ 196,233	\$ 186,340	\$ 203,394	\$ 191,793
Public Protection	1,650,165	1,475,626	1,485,137	1,433,421	1,326,028
Public Ways and Facilities	172,970	151,779	97,928	142,071	114,398
Health and Sanitation	715,343	656,234	593,617	554,872	537,580
Public Assistance	1,193,705	1,102,747	1,097,327	1,097,129	1,049,665
Education	52,323	48,412	44,510	46,170	43,314
Recreation and Cultural Services	139,183	123,798	112,749	115,136	102,069
Interest on Long-Term Debt	30,910	25,741	17,544	20,112	23,560
Subtotal Governmental Activities	4,176,429	3,780,570	3,635,152	3,612,305	3,388,407
Business-Type Activities:					
Airport	136,075	124,466	125,522	120,921	124,778
OC Waste & Recycling	128,354	125,472	105,149	96,301	69,307
Compressed Natural Gas	160	299	367	283	331
Subtotal Business-Type Activities	264,589	250,237	231,038	217,505	194,416
Total Primary Government Expenses	\$ 4,441,018	\$ 4,030,807	\$ 3,866,190	\$ 3,829,810	\$ 3,582,823
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Government	\$ 47,508	\$ 43,104	\$ 41,988	\$ 34,048	\$ 36,924
Public Protection	319,248	355,850	307,630	288,185	286,644
Public Ways and Facilities	52,334	55,544	67,796	63,487	53,834
Health and Sanitation	132,172	112,715	117,170	85,392	102,599
Public Assistance	40,158	38,741	40,589	37,975	37,650
Education	1,100	1,237	1,274	1,426	1,480
Recreation and Cultural Services	34,506	49,892	47,763	46,937	43,882
Operating Grants and Contributions	2,289,265	2,175,087	2,067,777	2,037,311	1,996,861
Capital Grants and Contributions	63,429	123,575	113,481	105,776	33,241
Subtotal Governmental Activities Program Revenues	2,979,720	2,955,745	2,805,468	2,700,537	2,593,115
Business-Type Activities:					
Charges for Services					
Airport	157,785	152,551	150,260	149,894	141,563
OC Waste & Recycling	171,741	162,273	153,842	147,130	139,493
Compressed Natural Gas	108	266	248	269	312
Operating Grants and Contributions	193	272	69	171	255
Capital Grants and Contributions	1,424	4,829	1,828	2,174	9,215
Subtotal Business-Type Activities Program Revenues	331,251	320,191	306,247	299,638	290,838
Total Primary Government Program Revenues	\$ 3,310,971	\$ 3,275,936	\$ 3,111,715	\$ 3,000,175	\$ 2,883,953

Notes: (1) The balances shown have not been restated to include prior period adjustments.

Fiscal Year				
2013-14 <sup>(1)</sup>	2012-13	2011-12 <sup>(1)</sup>	2010-11	2009-10
\$ 131,026	\$ 221,110	\$ 161,615	\$ 223,710	\$ 165,489
1,261,984	1,264,354	1,231,925	1,174,859	1,160,823
127,561	137,651	144,382	136,017	120,135
626,063	621,381	593,657	586,525	578,983
988,735	944,230	930,348	931,263	931,469
41,240	38,548	41,226	39,788	41,009
96,820	101,232	102,762	101,993	90,649
28,028	31,269	56,765	53,806	53,782
3,301,457	3,359,775	3,262,680	3,247,961	3,142,339

120,731	122,568	107,120	88,059	92,068
94,161	94,737	94,553	93,985	84,754
379	305	306	349	95
215,271	217,610	201,979	182,393	176,917
\$ 3,516,728	\$ 3,577,385	\$ 3,464,659	\$ 3,430,354	\$ 3,319,256

#### 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

\$ 32,016	\$ 32,127	\$ 26,942	\$ 33,561	\$ 27,452
273,215	283,031	271,423	310,773	278,355
53,071	39,981	62,653	53,960	45,809
93,470	81,039	86,027	93,815	86,430
42,300	34,780	35,036	36,304	30,914
2,059	1,327	1,437	1,576	1,449
39,251	39,637	38,888	37,560	38,223
2,033,550	1,904,858	1,800,296	1,706,231	1,741,762
54,478	62,893	39,010	170,516	16,828
2,623,410	2,479,673	2,361,712	2,444,296	2,267,222

#### 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

136,359	132,941	129,213	124,298	126,656
125,106	106,876	99,249	102,595	82,442
392	385	293	242	129
900	200	212	657	1,432
5,277	3,839	5,216	6,544	8,077
268,034	244,241	234,183	234,336	218,736
\$ 2,891,444	\$ 2,723,914	\$ 2,595,895	\$ 2,678,632	\$ 2,485,958

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019  
(Dollar Amounts in Thousands)

**Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting) (Continued)**

	Fiscal Year				
	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (1,196,709)	\$ (824,825)	\$ (829,684)	\$ (911,768)	\$ (795,292)
Business-Type Activities	66,662	69,954	75,209	82,133	96,422
Total Primary Government (Expense)	<u>\$ (1,130,047)</u>	<u>\$ (754,871)</u>	<u>\$ (754,475)</u>	<u>\$ (829,635)</u>	<u>\$ (698,870)</u>
<b>General Revenue and Other</b>					
<b>Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 320,395	\$ 305,296	\$ 287,212	\$ 311,902	\$ 328,500
Property Taxes, Levied for					
Flood Control District	110,529	104,798	98,563	82,193	77,090
Property Taxes, Levied for OC Parks	85,640	81,206	76,493	61,048	57,266
Property Taxes, Levied for					
OC Public Libraries	54,074	51,166	47,804	45,364	42,333
Property Tax Increments <sup>(2)</sup>	--	--	--	--	--
Property Taxes in-Lieu of					
Motor Vehicle License Fees	395,809	372,728	351,011	333,595	314,957
Other Taxes	99,965	99,889	98,216	78,184	71,613
Grants and Contributions Not Restricted					
to Specific Programs	2,720	10,757	8,434	4,583	49,476
State Allocation of Motor					
Vehicle License Fees	1,180	1,615	1,234	1,100	764
Unrestricted Investment Earnings	44,170	19,389	19,760	17,032	6,796
Miscellaneous	52,813	71,164	80,229	63,825	69,789
Gain on Sale of Capital Assets	--	--	--	--	--
Transfers	8,922	10,767	25,922	21,518	19,959
Subtotal Governmental Activities	<u>1,176,217</u>	<u>1,128,775</u>	<u>1,094,878</u>	<u>1,020,344</u>	<u>1,038,543</u>
Extraordinary Gain/(Loss)					
Dissolution of OCDA <sup>(1)</sup>	--	--	--	--	--
Business-Type Activities:					
Other Taxes	10	82	78	72	109
Unrestricted Investment Earnings	24,941	7,695	3,497	6,526	3,042
Miscellaneous Revenues	174	1,830	1,386	2,170	1,597
Transfers	(8,922)	(10,767)	(25,922)	(21,518)	(19,959)
Subtotal Business-Type Activities	<u>16,203</u>	<u>(1,160)</u>	<u>(20,961)</u>	<u>(12,750)</u>	<u>(15,211)</u>
Total Primary Government General					
Revenue and Other Charges	<u>\$ 1,192,420</u>	<u>\$ 1,127,615</u>	<u>\$ 1,073,917</u>	<u>\$ 1,007,594</u>	<u>\$ 1,023,332</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ (20,492)	\$ 303,950	\$ 265,194	\$ 108,576	\$ 243,251
Business-Type Activities	82,865	68,794	54,248	69,383	81,211
Total Primary Government	<u>\$ 62,373</u>	<u>\$ 372,744</u>	<u>\$ 319,442</u>	<u>\$ 177,959</u>	<u>\$ 324,462</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				
2013-14 <sup>(3)</sup>	2012-13 <sup>(3)</sup>	2011-12	2010-11	2009-10
\$ (678,047)	\$ (880,102)	\$ (900,968)	\$ (803,665)	\$ (875,117)
52,763	26,631	32,204	51,943	41,819
\$ (625,284)	\$ (853,471)	\$ (868,764)	\$ (751,722)	\$ (833,298)
\$ 277,591	\$ 313,299	\$ 311,779	\$ 298,953	\$ 290,054
72,737	69,321	68,184	73,260	67,103
54,042	51,550	51,168	51,554	49,857
39,734	37,961	37,389	37,590	37,057
--	--	18,308	30,755	31,917
295,798	309,745	303,955	228,421	229,635
73,178	108,430	43,568	83,938	93,024
14,192	6,711	9,377	27,457	10,299
895	1,659	2,667	49,889	46,697
18,459	11,559	4,195	23,703	15,541
54,412	48,478	57,125	64,563	54,496
--	--	34	--	--
17,557	10,276	11,767	12,681	11,188
918,595	968,989	919,516	982,764	936,868
--	1,800	(69,639)	--	--
101	93	134	--	--
3,064	2,113	3,530	5,509	6,411
3,177	1,235	1,508	1,109	2,453
(17,557)	(10,276)	(11,767)	(12,681)	(11,188)
(11,215)	(6,835)	(6,595)	(6,063)	(2,324)
\$ 907,380	\$ 963,954	\$ 843,282	\$ 976,701	\$ 934,544
\$ 240,548	\$ 90,687	\$ (51,091)	\$ 179,099	\$ 61,751
41,548	19,796	25,609	45,880	39,495
\$ 282,096	\$ 110,483	\$ (25,482)	\$ 224,979	\$ 101,246

**Net (Expense)/Revenue**

Governmental Activities  
Business-Type Activities  
Total Primary Government (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				
	2018-19	2017-18	2016-17	2015-16	2014-15
<b>General Fund</b>					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	--	--	--	--	--
Nonspendable <sup>(1)</sup>	396,541	378,418	372,572	331,889	336,606
Restricted <sup>(1)</sup>	49,989	31,815	39,581	49,230	31,486
Assigned <sup>(1)</sup>	147,686	179,119	265,293	321,064	269,529
Unassigned <sup>(1)</sup>	196,517	219,426	73,446	25,655	26,887
<b>Total General Fund</b>	<b>\$ 790,733</b>	<b>\$ 808,778</b>	<b>\$ 750,892</b>	<b>\$ 727,838</b>	<b>\$ 664,508</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved, Reported in:					
Special Revenue Funds	--	--	--	--	--
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Nonspendable <sup>(1)</sup>	23,368	21,505	21,697	20,501	21,296
Restricted <sup>(1)</sup>	1,657,781	1,492,269	1,635,408	1,479,405	1,417,122
Assigned <sup>(1)</sup>	180,139	176,953	170,472	129,782	83,765
Unassigned <sup>(1)</sup>	--	--	--	--	--
<b>Total All Other Governmental Funds</b>	<b>\$ 1,861,288</b>	<b>\$ 1,690,727</b>	<b>\$ 1,827,577</b>	<b>\$ 1,629,688</b>	<b>\$ 1,522,183</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				
2013-14 <sup>(2)</sup>	2012-13	2011-12	2010-11	2009-10
\$ --	\$ --	\$ --	\$ --	\$ 53,190
--	--	--	--	215,094
321,022	263,446	225,460	266,328	--
42,028	34,679	26,336	10,872	--
153,336	68,157	100,448	1,394	--
--	78,264	990	--	--
<b>\$ 516,386</b>	<b>\$ 444,546</b>	<b>\$ 353,234</b>	<b>\$ 278,594</b>	<b>\$ 268,284</b>

**General Fund**

Reserved  
Unreserved  
Nonspendable<sup>(1)</sup>  
Restricted<sup>(1)</sup>  
Assigned<sup>(1)</sup>  
Unassigned<sup>(1)</sup>

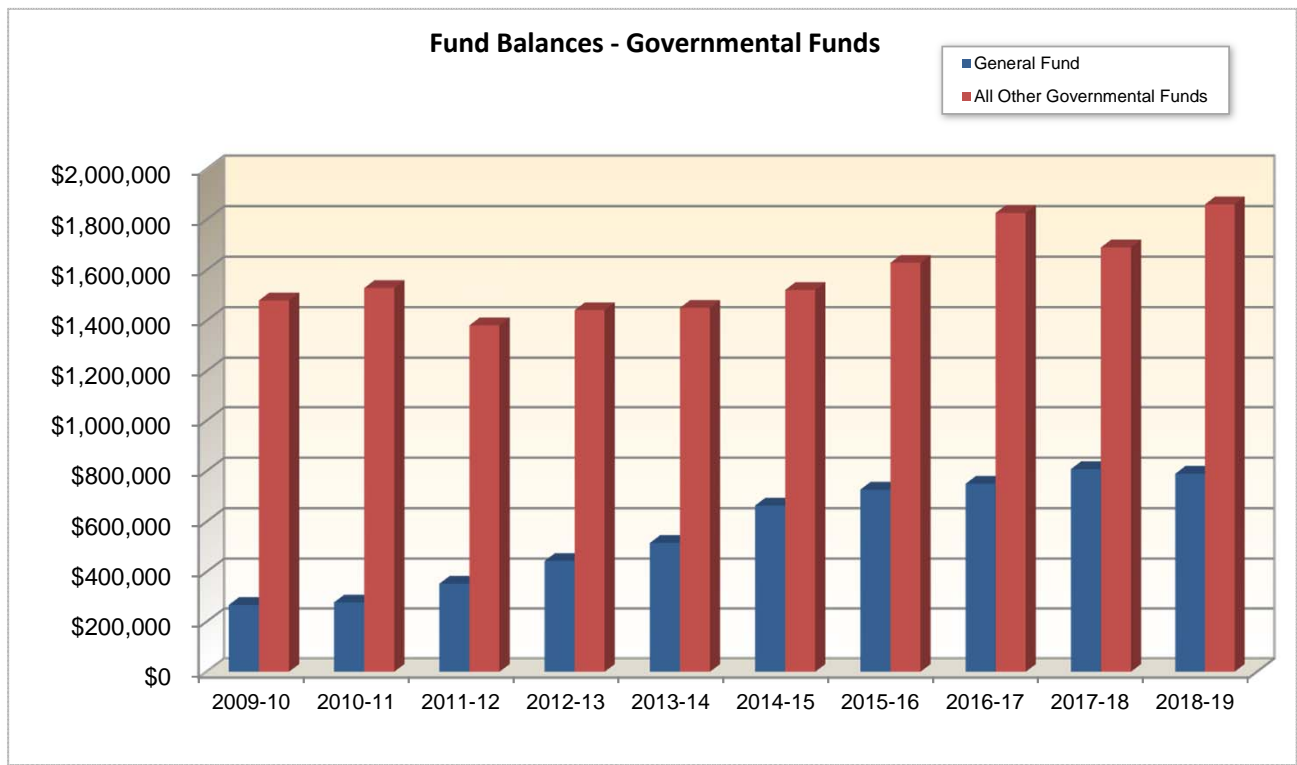
**Total General Fund**

\$ --	\$ --	\$ --	\$ --	\$ 540,745
--	--	--	--	894,148
--	--	--	--	(1,813)
--	--	--	--	47,362
--	--	--	--	154
21,207	18,929	23,057	20,802	--
1,362,102	1,357,556	1,318,071	1,482,755	--
67,929	65,556	43,900	34,173	--
--	--	(3,016)	(8,074)	--
<b>\$ 1,451,238</b>	<b>\$ 1,442,041</b>	<b>\$ 1,382,012</b>	<b>\$ 1,529,656</b>	<b>\$ 1,480,596</b>

**All Other Governmental Funds**

Reserved  
Unreserved, Reported in:  
Special Revenue Funds  
Debt Service Funds  
Capital Projects Funds  
Permanent Fund  
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				
	2018-19	2017-18	2016-17	2015-16	2014-15
<b>Revenues</b>					
Taxes	\$ 1,033,209	\$ 982,742	\$ 923,561	\$ 876,808	\$ 822,511
Licenses, Permits, and Franchises	25,956	28,142	28,209	27,659	24,583
Fines, Forfeitures, and Penalties	64,582	69,858	96,950	61,669	108,115
Use of Money and Property	124,827	85,694	68,498	88,211	73,700
Intergovernmental	2,243,421	2,232,699	2,172,013	2,125,136	2,064,354
Charges for Services	538,659	567,464	530,883	466,659	480,023
Other	74,508	78,707	63,949	69,436	71,207
Total Revenues	4,105,162	4,045,306	3,884,063	3,715,578	3,644,493
<b>Expenditures</b>					
General Government	271,722	295,157	267,663	261,387	212,805
Public Protection	1,485,357	1,441,435	1,401,694	1,289,902	1,230,878
Public Ways and Facilities	152,657	135,056	97,169	123,140	102,732
Health and Sanitation	680,305	649,064	578,772	527,482	515,560
Public Assistance	1,145,340	1,094,675	1,073,964	1,061,647	1,030,404
Education	47,826	46,842	42,564	43,928	41,949
Recreation and Cultural Services	114,127	117,965	106,356	100,381	98,001
Capital Outlay	213,950	259,797	176,308	116,569	102,863
Debt Service					
Principal Retirement	75,410	108,997	100,119	126,319	104,756
Interest	43,062	36,273	47,089	43,039	31,513
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	4,229,756	4,185,261	3,891,698	3,693,794	3,471,461
Excess (Deficit) of Revenues Over Expenditures	(124,594)	(139,955)	(7,635)	21,784	173,032
<b>Other Financing Sources (Uses)</b>					
Transfers In	633,185	505,092	653,593	396,952	338,055
Transfers Out	(629,486)	(502,637)	(631,891)	(387,373)	(323,604)
Debt Issued	61,107	58,489	31,536	127,494	31,541
Premium on Debt Issued	--	--	--	11,724	--
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow	--	--	--	--	--
Provisions for Increase in Land Held for Resale	--	--	--	--	--
Capital Leases	--	47	--	254	43
Loan Issuance	212,304	--	175,340	--	--
Total Other Financing Sources	277,110	60,991	228,578	149,051	46,035
Extraordinary Gain/(Loss)	--	--	--	--	--
Net Change in Fund Balances	\$ 152,516	\$ (78,964)	\$ 220,943	\$ 170,835	\$ 219,067
Debt Service as a Percentage of Noncapital Expenditures:	2.95%	3.70%	3.97%	4.73%	4.04%

Notes: (1) The balances shown have not been restated to include prior period adjustments.

Fiscal Year				
2013-14	2012-13	2011-12 <sup>(1)</sup>	2010-11	2009-10
\$ 778,936	\$ 854,587	\$ 784,797	\$ 738,109	\$ 741,850
24,920	15,213	18,046	16,831	14,976
62,081	79,267	80,180	93,461	102,959
63,611	58,441	81,088	89,514	88,350
2,070,245	1,940,687	1,846,311	1,745,066	1,769,253
470,899	439,224	435,920	478,916	418,373
54,406	77,464	66,920	64,125	65,727
3,525,098	3,464,883	3,313,262	3,226,022	3,201,488
172,195	186,145	170,156	207,193	211,434
1,194,069	1,157,676	1,125,831	1,068,267	1,054,947
127,506	112,294	126,809	110,789	106,985
621,891	611,369	580,791	576,793	559,315
972,156	932,414	909,296	911,704	903,733
40,008	37,239	37,621	37,671	38,921
98,388	94,051	91,753	84,506	82,826
125,781	122,639	105,207	84,311	124,077
111,486	72,499	95,429	87,685	88,962
35,107	43,777	46,152	40,634	39,565
200	--	--	--	--
3,498,787	3,370,103	3,289,045	3,209,553	3,210,765
26,311	94,780	24,217	16,469	(9,277)
294,374	274,363	345,692	395,752	382,154
(279,287)	(268,110)	(336,157)	(388,274)	(370,820)
39,639	78,419	10,000	36,000	--
--	--	2,927	--	--
--	--	--	--	--
--	--	34,380	--	--
--	--	(40,491)	(710)	--
--	--	43	--	--
--	--	--	133	--
--	--	--	--	--
54,726	84,672	16,394	42,901	11,334
--	1,800	(113,615)	--	--
\$ 81,037	\$ 181,252	\$ (73,004)	\$ 59,370	\$ 2,057
4.34%	3.60%	4.44%	4.12%	4.18%

#### 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  
Principal Payment on Demand Bonds  
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>
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
2009-10	302,855,181	100,686,715	2,814,952	21,516,171

- 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>
\$ 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
427,873,019	(9,063,739)	418,809,280	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	
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	-- (3)	1.09698

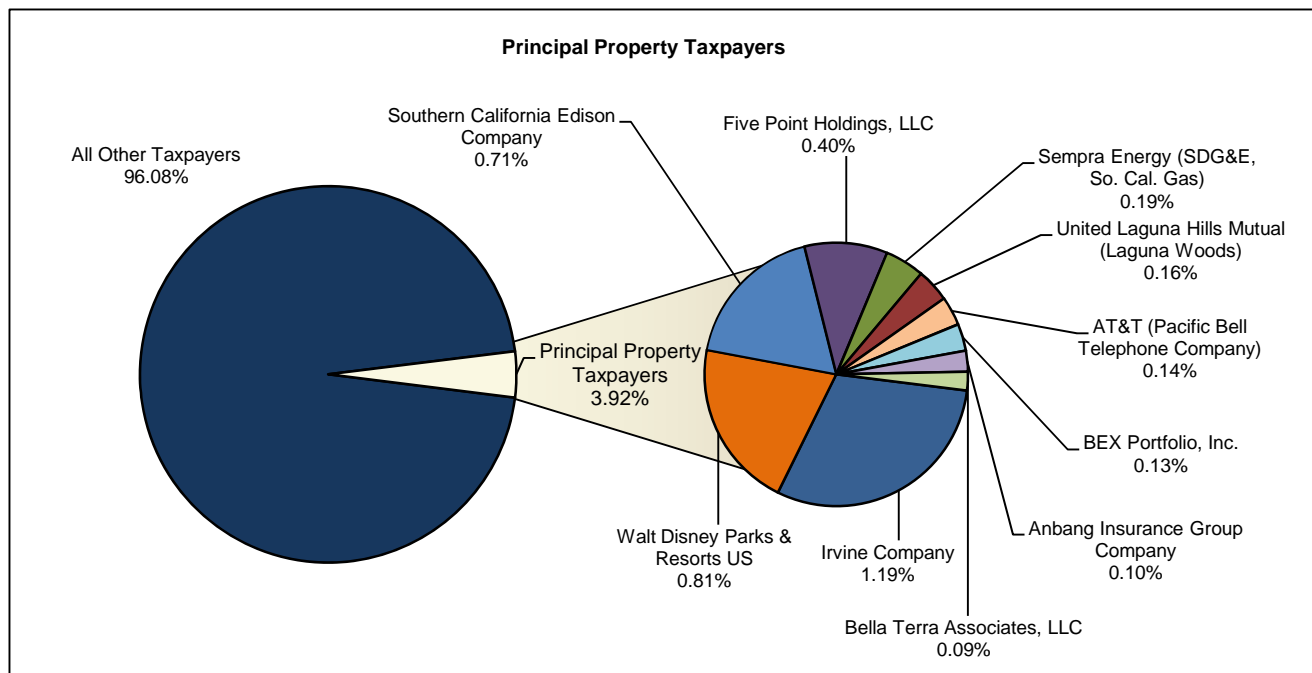
- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 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 change.
  - (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	2019			2010		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	\$ 81,402	1	1.19%	\$ 64,587	1	1.29%
Walt Disney Parks & Resorts US	55,432	2	0.81%	42,743	2 & 8	0.85%
Southern California Edison Company	48,649	3	0.71%	23,180	3	0.46%
Five Point Holdings, LLC	27,188	4	0.40%			
Sempra Energy (SDG&E, So. Cal. Gas)	13,288	5	0.19%			
United Laguna Hills Mutual (Laguna Woods)	10,673	6	0.16%			
AT&T (Pacific Bell Telephone Company)	9,448	7	0.14%	8,290	7	0.17%
BEX Portfolio, Inc.	8,588	8	0.13%			
Anbang Insurance Group Company	6,876	9	0.10%			
Bella Terra Associates, LLC	6,229	10	0.09%			
Irvine Apartment Communities				9,653	6	0.19%
Irvine Community Development				7,487	9	0.15%
Irvine Company LLC				23,681	4 & 5	0.47%
Heritage Fields El Toro LLC				7,098	10	0.14%
<b>Total</b>	<b>\$ 267,773</b>		<b>3.92%</b>	<b>\$ 186,719</b>		<b>3.72%</b>



Note: The base used for the Percentage of Total Taxes Levied for 2019 includes total secured taxes of \$6,862,359

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
2018-19	\$ 7,333,137	\$ 7,252,952	98.91%	\$ -- <sup>(4)</sup>	\$ 7,252,952	98.91%
2017-18	6,925,546	6,855,493	98.99%	37,135	6,892,628	99.52%
2016-17	6,511,944	6,446,780	99.00%	43,947	6,490,727	99.67%
2015-16	6,183,862	6,119,771	98.96%	49,593	6,169,364	99.77%
2014-15	5,828,106	5,759,699	98.83%	57,365	5,817,064	99.81%
2013-14	5,509,379	5,444,912	98.83%	53,201	5,498,113	99.80%
2012-13	5,265,844	5,194,193	98.64%	59,167	5,253,360	99.76%
2011-12	5,079,589	5,002,490	98.48%	84,009	5,086,499	100.14%
2010-11	5,045,802	4,960,748	98.31%	35,457	4,996,205	99.02%
2009-10	5,019,061	4,904,188	97.71%	21,970	4,926,158	98.15%



- 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>	
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	
2009-10	81,619	49,729	4,758	59,331	--	--	309,517	

- 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			
\$ 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
80,114	--	264,099	25,738	874,905	0.57%	276

**Ratios of Net General Bonded Debt <sup>(1)</sup> Outstanding  
Last Ten Fiscal Years (in Thousands Except Per Capita)  
(Accrual Basis of Accounting)**

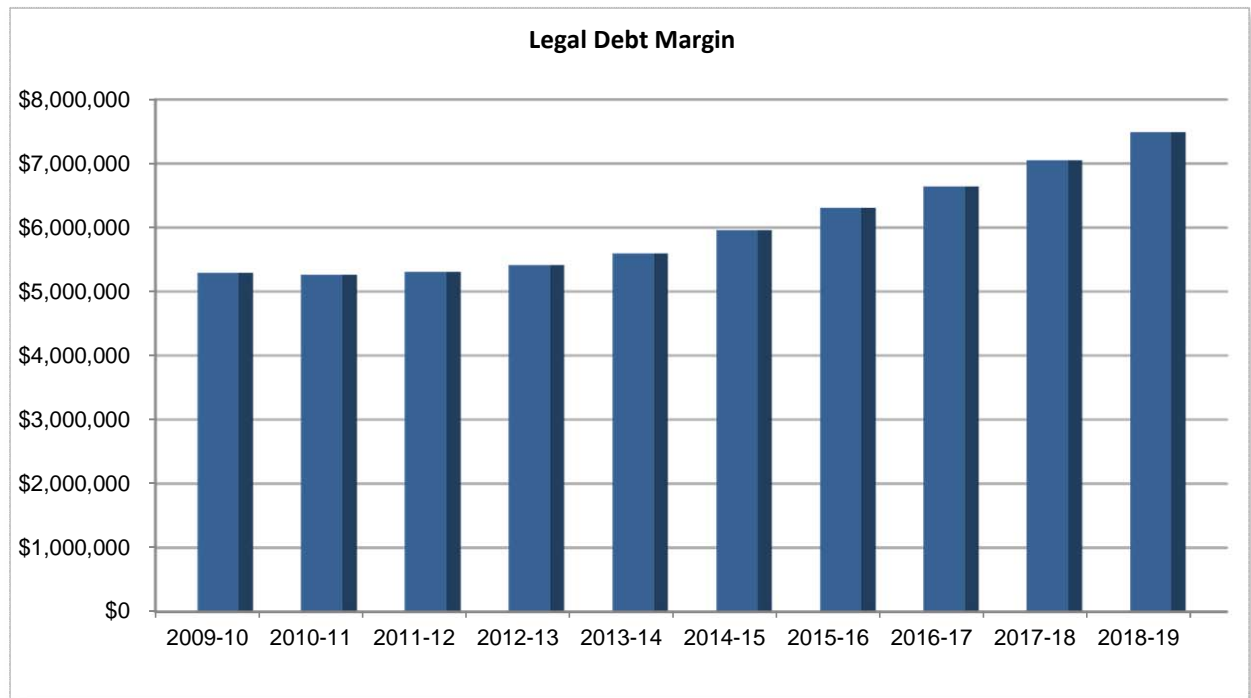
General Debt Outstanding						
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds <sup>(3)</sup>	Restricted for Debt Payments <sup>(3)</sup>	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita <sup>(2)</sup>
2018-19	\$ --	\$ 30,646	\$ 30,646	\$ --	0.00%	\$ --
2017-18	--	42,770	42,770	--	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
2009-10	81,619	59,331	59,331	81,619	0.02%	26

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>
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%
2009-10	422,965,596	5,287,070	--	5,287,070	0%



Note:

(1) Starting from FY 2007-08, 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, 2019  
(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>
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	--	--	--	--	--	--
2009-10	--	--	--	--	--	--

<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>
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
2009-10	74,838	--	74,838	56,580	16,151	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>
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
2009-10	121,761	68,771	52,990	2,865	7,163	5.28

<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>
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
2009-10	2,743	--	2,743	744	1,861	1.05

<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>
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)	(3) 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	--	--	--	--	--	--
2009-10	--	--	--	--	--	--

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.

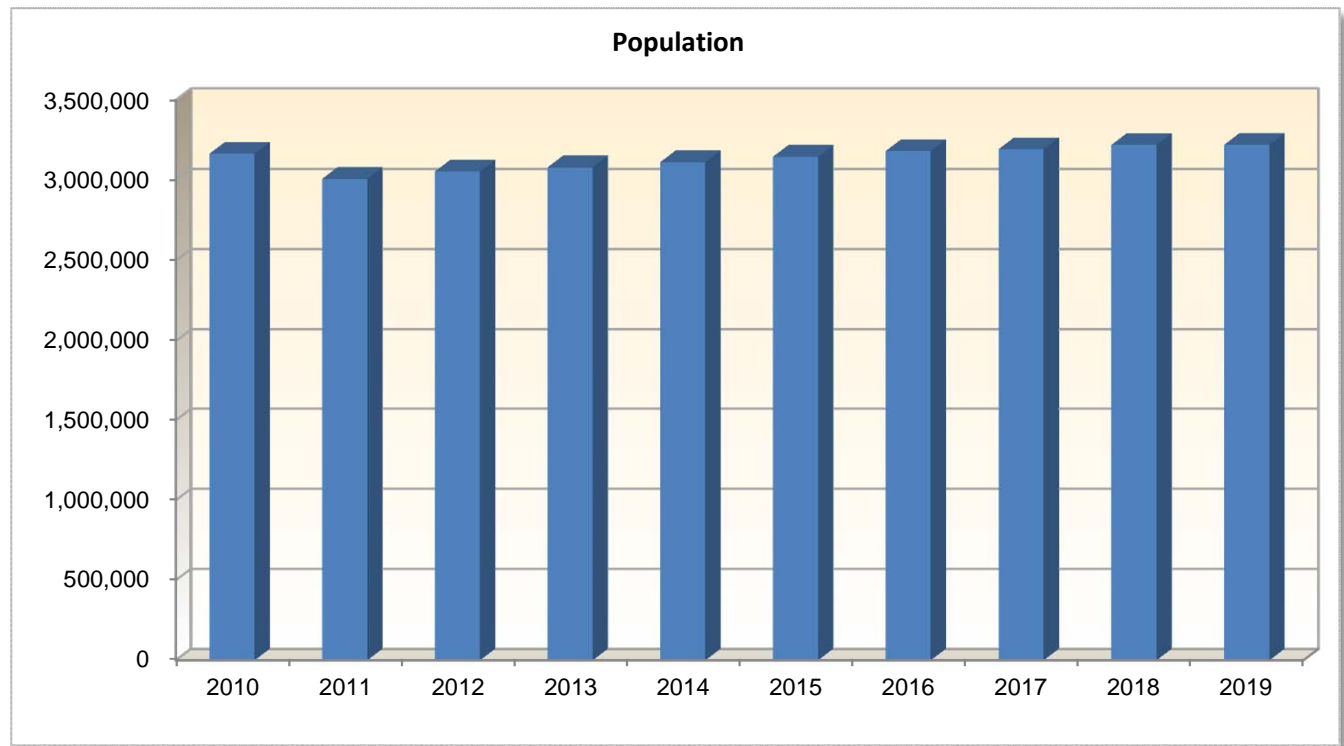
(2) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13, therefore, only long-term note information is presented.

(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>
2019	3,222,498	\$ 230,180,000	\$ 71,429	N/A	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%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%



N/A means Not Available

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>, 2019 N/A
- (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**

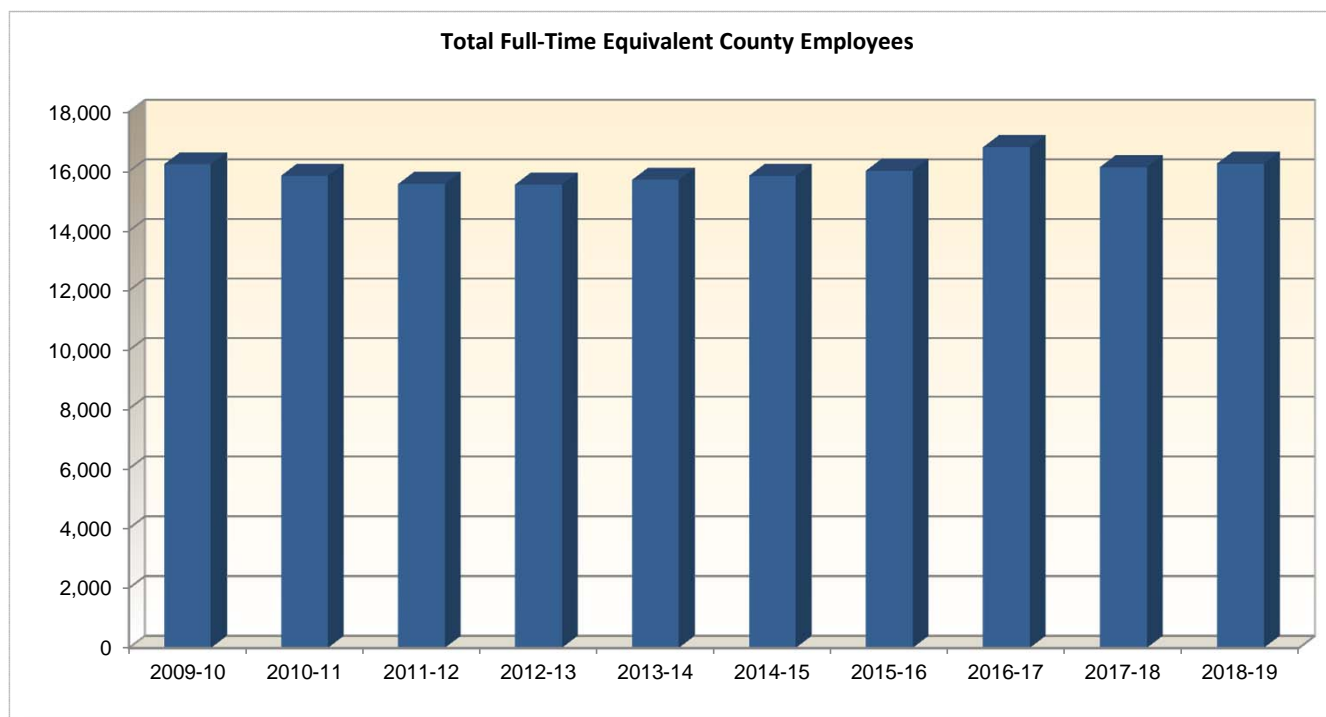
2019			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	30,000	1	1.86%
University of California, Irvine	23,884	2	1.48%
County of Orange	18,313	3	1.14%
St. Joseph Health System	14,000	4	0.87%
Kaiser Permanente	8,178	5	0.51%
Albertsons	7,670	6	0.48%
Target Corporation	6,300	7	0.39%
Walmart Inc.	6,200	8	0.38%
Hoag Memorial Hospital	6,100	9	0.38%
Boeing Co.	6,000	10	0.37%

2010			
Employer	Number of Employees	Rank	Percentage of Total County Employment
University of California, Irvine	20,650	1	1.31%
Walt Disney Co.	20,000	2	1.27%
County of Orange	17,324	3	1.10%
St. Joseph Health System	11,965	4	0.76%
Boeing Co.	8,060	5	0.51%
Bank of America Corporation	6,500	6	0.41%
Yum Brands Inc.	6,500	7	0.41%
Supervalu Inc.	5,900	8	0.37%
Kaiser Permanente	5,397	9	0.34%
Target Corporation	5,325	10	0.34%

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	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13 <sup>(2)</sup>	2011-12	2010-11	2009-10
General Government	1,473	1,461	1,511	1,419	1,341	1,322	1,273	1,279	1,314	1,346
Public Protection	6,738	6,722	6,915	6,642	6,674	6,760	6,781	6,653	6,692	6,879
Public Ways and Facilities	407	386	431	435	440	478	508	542	569	585
Health and Sanitation	2,339	2,307	2,409	2,253	2,198	2,128	2,137	2,209	2,292	2,346
Public Assistance	4,290	4,276	4,529	4,306	4,239	4,043	3,876	3,867	3,935	4,023
Education	312	306	309	302	286	290	286	307	324	325
Recreation and Cultural Services	293	288	298	272	265	274	268	283	289	285
Airport	163	157	153	154	159	162	167	168	168	169
OC Waste & Recycling	241	236	249	233	241	249	255	257	261	267
CFCOC	11	10	9	11	11	11	11	13	14	16
<b>Total Full-time Equivalent Employees (1)</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>	<b>16,241</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



**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function/Program	Fiscal Year				
	2018-19	2017-18	2016-17	2015-16	2014-15
<b>General Government</b>					
Auditor-Controller					
Property Tax Bills Prepared	1,112,743	1,125,902	1,127,725	1,141,652	1,216,325
Assessor					
Number of Real Property Valued	950,469	943,771	937,630	930,470	924,791
Number of Unsecured Property Assessed	116,188	117,126	121,665	141,224	145,151
New Parcels Created and Mapped	8,035	7,868	9,053	6,665	6,918
New Construction Events	21,087	20,758	21,254	19,397	18,530
County Executive Office					
Volunteer Program Service Hours	685,725	562,121	645,482	613,277	638,230
Clerk-Recorder					
Marriage Licenses Issued	22,565	23,702	25,309	23,725	23,553
Marriage Ceremonies Performed	11,242	11,946	12,876	11,122	11,213
Copies of Birth Certificates Issued	87,961	82,463	85,051	74,508	79,826
Property-Related Document Recordings	477,083	534,185	640,243	617,914	651,866
Passport Applications Filed	10,071	10,144	9,437	7,093	5,016
Treasurer-Tax Collector					
Orange County Investment Pool Income (1)	\$ 94,197	\$ 57,610	\$ 36,677	\$ 24,877	\$ 14,581
Assets Under Management (1)	\$ 9,934,121	\$ 9,387,613	\$ 9,092,268	\$ 8,271,502	\$ 7,604,246
Number of Property Tax Bills	1,375,794	1,471,356	1,448,886	1,367,275	1,381,808
Percentage of Secured Tax Bill Collection	99.26%	99.36%	99.39%	99.26%	99.21%
Number of Incoming Phone Calls	89,079	98,660	108,061	111,948	121,461
Percentage of Electronic Payments	63.2%	60.9%	57.2%	54.9%	54.2%
Secured Tax Bill Subscribers (3)	51,559	42,866	40,898	38,213	35,917
Property Tax Payments by eCheck	412,819	398,711	348,961	309,977	285,932
Registrar of Voters					
Registered Voters	1,558,988	1,481,881	1,535,967	1,395,380	1,424,216
Highest Number of Ballots Cast	1,106,729	635,224	1,239,405	691,802	640,358
Elections Conducted	5	1	1	4	7
<b>Public Protection</b>					
Sheriff-Coroner					
Patrolled Cities Population	648,371	646,818	644,496	641,753	637,261
Patrolled Unincorporated Areas Population	129,128	129,278	125,792	125,420	124,014
Number of Bookings to Orange County Jail System	58,773	61,157	56,330	56,163	56,135
Average Daily Jail Head Count	6,140	6,249	6,220	6,028	6,055
District Attorney					
Defendants Prosecuted-Adult	60,117	62,682	61,219	61,521	56,233
Defendants Prosecuted-Juvenile	2,783	3,426	3,631	3,564	4,482
Probation					
Physical Arrests-Adult	*	*	*	*	*
Physical Arrests-Juvenile	*	*	*	*	*
Probationers under Supervision as of June 30th-Adult	11,164	11,560	11,189	11,714	10,725
Probationers under Supervision as of June 30th-Juvenile	1,892	2,270	2,290	2,550	3,124
Avg. Daily Juvenile Hall Population	109	129	150	130	150
Avg. Daily Camp Population	100	119	136	143	203
Public Defender					
Cases Appointed Annually	59,513	59,095	61,878	65,574	79,119

Note: (1) Dollar amounts in thousand  
(2) \* means Not Available  
(3) Name changed in FY 18-19, formerly Secured Tax Bill Reminders  
Sources: County Departments

Fiscal Year					Function/Program
2013-14	2012-13	2011-12	2010-11	2009-10	
<u>General Government</u>					
					Auditor-Controller
1,220,750	1,186,238	1,153,816	1,189,320	1,144,933	Property Tax Bills Prepared
					Assessor
918,672	914,489	901,840	899,644	897,547	Number of Real Property Valued
135,551	139,865	159,464	161,005	168,208	Number of Unsecured Property Assessed
4,519	8,175	3,649	2,739	9,413	New Parcels Created and Mapped
16,904	17,173	17,129	9,372	13,172	New Construction Events
					County Executive Office
700,759	815,407	885,416	935,284	882,680	Volunteer Program Service Hours
					Clerk-Recorder
25,244	22,502	22,415	20,868	20,292	Marriage Licenses Issued
12,056	*	*	*	*	Marriage Ceremonies Performed
82,268	81,775	83,611	85,773	87,999	Copies of Birth Certificates Issued
580,899	839,353	741,935	725,323	669,332	Property-Related Document Recordings
2,686	*	*	*	*	Passport Applications Filed
					Treasurer-Tax Collector
\$ 11,298	\$ 12,958	\$ 17,978	\$ 22,295	\$ 35,656	Orange County Investment Pool Income (1)
\$ 6,566,145	\$ 6,490,056	\$ 5,922,768	\$ 6,183,195	\$ 5,975,392	Assets Under Management (1)
1,421,654	1,347,596	1,257,709	1,382,198	1,362,221	Number of Property Tax Bills
99.16%	98.94%	98.51%	98.35%	97.61%	Percentage of Secured Tax Bill Collection
115,123	150,830	148,463	162,955	160,067	Number of Incoming Phone Calls
53.8%	49.4%	51.1%	49.3%	43.8%	Percentage of Electronic Payments
31,988	28,664	25,451	21,027	*	Secured Tax Bill Subscribers (3)
248,908	213,146	181,151	143,136	126,942	Property Tax Payments by eCheck
					Registrar of Voters
1,411,232	1,683,001	1,612,145	1,621,934	1,603,312	Registered Voters
340,187	1,133,204	145,474	898,205	482,708	Highest Number of Ballots Cast
3	2	2	5	5	Elections Conducted
<u>Public Protection</u>					
					Sheriff-Coroner
631,934	627,447	557,403	553,148	584,947	Patrolled Cities Population
					Patrolled Unincorporated Areas
121,473	120,396	119,698	121,488	120,088	Population
					Number of Bookings to Orange County
61,262	63,439	65,256	63,615	58,322	Jail System
7,039	6,805	6,265	5,721	5,171	Average Daily Jail Head Count
					District Attorney
55,906	57,873	61,759	64,418	64,969	Defendants Prosecuted-Adult
5,103	6,651	6,743	7,907	6,894	Defendants Prosecuted-Juvenile
					Probation
*	2,947	2,307	1,926	1,822	Physical Arrests-Adult
*	640	467	488	685	Physical Arrests-Juvenile
					Probationers under Supervision as of
14,425	14,186	14,788	13,243	13,476	June 30th-Adult
					Probationers under Supervision as of
4,156	4,984	5,399	5,792	6,527	June 30th-Juvenile
229	320	315	417	428	Avg. Daily Juvenile Hall Population
182	193	169	194	191	Avg. Daily Camp Population
					Public Defender
74,101	77,073	73,487	77,661	76,191	Cases Appointed Annually

County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019

**Operating Indicators by Function/Program  
Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2018-19	2017-18	2016-17	2015-16	2014-15
<u>Public Ways and Facilities</u>					
OC Public Works					
Building and Home Inspections	60,753	42,590	39,056	40,662	30,324
<u>Health and Sanitation</u>					
OC Community Resources					
Animal Licenses	147,874	149,342	171,237	192,470	198,358
Health Care Agency					
911 Emergency Medical Services Responses	234,589	234,459	204,683	193,538	183,794
Retail Food Facility Inspections Conducted	35,406	30,893	32,305	26,195	31,397
Hazardous Waste Inspections Conducted	7,735	6,003	7,271	8,328	5,950
Number of Home Visits by Public Health Nurses	20,794	20,156	32,108	29,219	31,258
Number of Low Income Children Dental Health Services	200	360	311	496	755
Number of Ocean Water Days of Closure (In Beach-Miles)	10	10	17	22	24
<u>Public Assistance</u>					
OC Community Resources					
Adult Day Care Hours of Service	52,819	65,900	47,567	49,971	43,010
Elderly Nutrition Program Meals Delivered	1,353,713	1,323,802	1,417,361	1,374,275	1,406,526
One-Way Transportation Trips Provided to Seniors	183,429	185,258	190,534	198,851	180,899
Social Services Agency					
Average Monthly Medi-Cal Recipients	782,990	806,716	817,408	810,388	718,061
Average Monthly Child Abuse Hotline Calls	4,572	4,189	4,076	4,259	4,049
Average Monthly CalFresh (formerly Food Stamp) Recipients	206,789	233,038	250,772	263,556	258,676
Average Monthly In-Home Supportive Services	27,892	26,369	24,427	22,635	20,787
Secured Tax Bill Subscribers	35,803	41,622	46,369	52,081	55,921
Average Children in Foster Care/Relative Care	1,977	1,917	1,886	1,791	1,924
Average Elder and Adult Abuse Unduplicated Reports Received	1,207	1,091	995	942	815
<u>Education</u>					
OC Community Resources					
Total Volumes Borrowed at Library Branches	7,746,484	7,041,985	6,864,635	6,634,747	6,411,127
<u>Recreation and Cultural Services</u>					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	3,225	2,285	2,940	2,782	1,466
Native Vegetation Restoration (acres)	411	414	262	293	312
Slip and Dry Storage Tenants	3,150	438	438	2,903	3,204
Boat Launches	15,521	16,487	16,303	17,695	15,511
Sailing and Event Center Participants	100,952	101,945	80,752	50,000	75,000
Ocean Institute Students/Visitors	44,404	90,948	127,361	192,384	41,000
Hotel Guests	58,998	59,319	39,140	43,515	43,073
Catalina Express Passengers	124,471	129,239	128,000	25,711	123,688
Special Events at the Harbor	5	6	6	8	12
<u>Airport</u>					
Passengers	10,718,001	10,670,156	10,373,714	10,361,436	9,608,873
Air Cargo Tonnage	19,098	19,577	17,813	18,568	16,997
Takeoffs & Landings	314,000	302,483	285,704	276,817	264,726
<u>OC Waste &amp; Recycling</u>					
Solid Waste Tonnage	5,148,761	4,980,101	4,810,116	4,772,722	4,581,359
Gallons of Leachate and Impacted Ground Water Collected	8,062,718	5,576,351	5,599,757	3,542,736	5,510,821

Sources: County Departments

Fiscal Year					Function/Program
2013-14	2012-13	2011-12	2010-11	2009-10	
					<u>Public Ways and Facilities</u>
					OC Public Works
31,772	19,368	15,591	13,215	11,222	Building and Home Inspections
					<u>Health and Sanitation</u>
					OC Community Resources
192,320	191,098	200,755	173,570	176,123	Animal Licenses
					Health Care Agency
170,804	171,420	168,172	156,638	158,863	911 Emergency Medical Services Responses
32,689	34,953	35,025	34,962	36,445	Retail Food Facility Inspections Conducted
4,616	6,058	5,444	6,237	6,600	Hazardous Waste Inspections Conducted
35,101	34,953	32,498	29,260	30,091	Number of Home Visits by Public Health Nurses
					Number of Low Income Children Dental Health Services
1,225	1,107	1,344	1,533	1,520	Number of Ocean Water Days of Closure (In Beach-Miles)
20	8	1	61	20	
					<u>Public Assistance</u>
					OC Community Resources
50,944	49,129	70,267	93,425	92,964	Adult Day Care Hours of Service
1,347,251	1,360,601	1,636,379	1,846,571	1,796,596	Elderly Nutrition Program Meals Delivered
187,864	155,003	184,476	287,611	213,832	One-Way Transportation Trips Provided to Seniors
					Social Services Agency
521,078	430,559	418,649	403,142	376,101	Average Monthly Medi-Cal Recipients
3,674	3,009	2,880	3,003	3,165	Average Monthly Child Abuse Hotline Calls
					Average Monthly CalFresh (formerly Food Stamp) Recipients
247,517	230,964	213,919	185,489	150,141	Average Monthly In-Home Supportive Services
19,652	19,663	19,240	18,335	17,595	Secured Tax Bill Subscribers
55,225	55,008	56,847	58,770	53,214	Average Children in Foster Care/Relative Care
2,119	2,213	2,128	2,148	2,336	Average Elder and Adult Abuse Unduplicated Reports Received
710	636	630	604	598	
					<u>Education</u>
					OC Community Resources
6,642,739	6,564,262	6,741,380	7,796,954	7,629,378	Total Volumes Borrowed at Library Branches
					<u>Recreation and Cultural Services</u>
					OC Community Resources
1,154	4,102	4,042	629	61	Exotic Invasive Plant Removal (acres)
368	843	994	2,448	82	Native Vegetation Restoration (acres)
2,679	2,700	2,237	2,748	2,750	Slip and Dry Storage Tenants
15,606	15,037	14,327	15,150	18,759	Boat Launches
111,838	115,996	111,959	108,070	83,738	Sailing and Event Center Participants
100,000	108,668	110,059	125,000	125,060	Ocean Institute Students/Visitors
42,887	41,141	36,800	26,972	25,252	Hotel Guests
123,257	123,257	120,945	114,176	106,305	Catalina Express Passengers
15	16	16	16	16	Special Events at the Harbor
					<u>Airport</u>
9,304,295	9,124,172	8,642,116	8,611,054	8,812,169	Passengers
17,564	17,821	16,831	15,150	14,870	Air Cargo Tonnage
252,166	252,506	251,191	260,466	213,404	Takeoffs & Landings
					<u>OC Waste &amp; Recycling</u>
4,070,238	3,428,657	3,304,643	3,495,649	3,502,715	Solid Waste Tonnage
					Gallons of Leachate and Impacted Ground Water Collected
3,854,530	3,116,108	3,448,964	3,209,725	3,390,965	

**Capital Asset Statistics by Function  
Last Ten Fiscal Years**

Function/Program	Fiscal Year				
	2018-19	2017-18	2016-17	2015-16	2014-15
<u>General Government</u>					
Auditor-Controller					
Hall of Finance and Records	1	1	1	1	1
Clerk-Recorder					
OC Archives Building	1	1	1	1	1
Registrar of Voters					
Trailers	2	2	1	1	1
Vehicles/Trucks	3	3	4	4	4
<u>Public Protection</u>					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	939	938	948	917	916
Buses	13	13	12	11	11
Helicopters	5	5	5	4	3
Boats	10	10	10	10	10
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	35	34	26	28	22
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	4	4	4	4	4
Vehicles/Trucks	171	158	159	155	159
Equipment	16	15	13	12	16
<u>Public Ways and Facilities</u>					
OC Public Works					
Hall of Administration	1	1	1	1	1
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	41	42	46	50	51
Vehicles/Trucks	50	46	45	42	53
OC Flood Control District					
Watersheds	22	22	21	19	13
Dams	4	4	4	3	3
Dump Trucks	4	4	4	7	7
Tractors	20	20	20	20	14
Trailers	16	16	16	14	24
Vehicles/Trucks	94	94	97	79	156
Roads					
Street Miles	320	345	330	330	320
Dump Trucks	16	13	12	12	11
Tractors	16	30	30	30	18
Trailers	21	26	24	32	30
Vehicles/Trucks	174	174	174	147	146

\* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2013-14	2012-13	2011-12	2010-11	2009-10	
					<u>General Government</u>
					Auditor-Controller
1	1	1	1	1	Hall of Finance and Records
					Clerk-Recorder
1	1	1	1	1	OC Archives Building
					Registrar of Voters
1	1	1	1	1	Trailers
3	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
911	918	838	844	844	Vehicles
11	11	11	13	13	Buses
3	2	2	2	2	Helicopters
10	9	9	5	5	Boats
3	3	3	3	3	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
18	13	10	14	14	K-9 units
					District Attorney
5	5	5	5	5	Justice Center Offices
					Probation Department
4	4	5	5	5	Juvenile Institutions
156	*	*	*	*	Vehicles/Trucks
12	*	*	*	*	Equipment
					<u>Public Ways and Facilities</u>
					OC Public Works
1	1	1	1	1	Hall of Administration
1	1	1	1	1	Data Center
60	60	59	59	59	Alternate Fuel Vehicles
54	51	50	50	50	Vehicles/Trucks
					OC Flood Control District
13	13	13	19	11	Watersheds
3	3	3	3	3	Dams
12	5	5	13	13	Dump Trucks
19	5	5	10	19	Tractors
17	8	12	15	14	Trailers
156	156	165	161	122	Vehicles/Trucks
					Roads
320	319	320	320	320	Street Miles
9	4	11	9	1	Dump Trucks
9	6	3	4	3	Tractors
18	10	5	9	11	Trailers
165	151	146	151	144	Vehicles/Trucks

**Capital Asset Statistics by Function  
Last Ten Fiscal Years (Continued)**

Function/Program	Fiscal Year				
	2018-19	2017-18	2016-17	2015-16	2014-15
<u>Health and Sanitation</u>					
Health Care Agency					
Clinics (1)	4	4	4	4	4
Laboratories (1)	2	2	2	2	2
Trailers (1)	9	10	9	12	12
Vehicles/Trucks (1)	35	33	30	24	24
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	3	2	3	3	3
<u>Public Assistance</u>					
Social Service Agency					
Vehicles	1	2	4	5	5
Office Locations	19	20	20	20	20
<u>Education</u>					
Library Branches	32	33	33	33	33
Library Headquarters	*	*	*	*	*
<u>Recreation and Cultural Services</u>					
OC Community Resources					
Park Land (acres)	62,617	62,900	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	7	9	10	8	7
Tractors	22	26	26	25	26
Trailers	42	35	33	31	27
Vehicles/Trucks	239	207	199	204	174
Harbor	1	1	1	1	1
Marinas	1	2	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	20	24	24	24	23
Restaurants	14	16	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	*
Parcel 23 (Yacht Club)	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
2013-14	2012-13	2011-12	2010-11	2009-10	
					<u>Health and Sanitation</u>
					Public Health Services
3	3	3	2	2	Clinics (1)
2	2	2	2	2	Laboratories (1)
8	11	27	27	27	Trailers (1)
25	25	24	27	26	Vehicles/Trucks (1)
					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	6	10	10	8	Vehicles
19	20	20	19	20	Office Locations
					<u>Education</u>
33	33	33	33	33	Library Branches
*	*	*	1	1	Library Headquarters
					<u>Recreation and Cultural Services</u>
					OC Community Resources
60,500	59,318	57,688	57,688	39,490	Park Land (acres)
295	295	295	295	292	Recreational Trails (in miles)
1	1	1	1	1	Zoo
15	15	12	12	12	Urban Regional Parks
5	5	5	5	5	Wilderness Parks
4	4	4	4	4	Nature Preserves
3	3	2	2	2	Harbors
11	11	9	9	9	Beaches
7	7	7	7	7	Historical Sites
7	9	21	15	14	Boats
28	24	26	22	18	Tractors
29	33	30	24	20	Trailers
170	211	188	233	208	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	25	25	25	Shops
16	16	16	15	16	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				
	2018-19	2017-18	2016-17	2015-16	2014-15
<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	6	6	6	8	7
Dump Trucks	5	10	10	10	10
Loaders	12	12	12	21	20
Scrapers	6	6	6	8	8
Excavators	2	2	2	2	2
Tractors	28	35	27	30	28
Graders	3	4	4	4	4
Compactors	9	7	7	8	8
Water/Fuel Trucks	9	14	14	13	13
Sweeper	1	1	*	*	*

\* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2013-14	2012-13	2011-12	2010-11	2009-10	
					<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	1	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	8	8	10	Dozers
10	12	12	14	14	Dump Trucks
20	20	21	22	21	Loaders
8	8	8	11	13	Scrapers
2	2	2	2	-	Excavator
29	28	29	29	29	Tractors
4	4	4	4	3	Graders
8	8	8	8	5	Compactors
13	11	11	11	12	Water/Fuel Trucks
*	*	*	*	*	Sweeper





**Orange County Auditor-Controller**  
1770 N. Broadway, Santa Ana, CA 92706



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County of Orange: [www.ocgov.com](http://www.ocgov.com)

**APPENDIX B**  
**INVESTMENT POLICY**

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# Orange County Treasurer



## 2020 Investment Policy Statement

(Approved By B.O.S. 11/19/2019)



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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. 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.
- 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 the counterparty must 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 (currently at \$65 million per pool).

## **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).



Investments: 1) must have the minimum ratings required below by at least two NRSROs, except for Money Market Mutual Funds (defined in Section VI 7) which can be rated by only one NRSRO if it meets certain criteria and Investment Pools (defined in Section VI 11) which can be rated by only one NRSRO, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

Short-term debt ratings:

"A-1" or "SP-1" or AAAf	S&P
"P-1" or "MIG 1/VMIG 1" or AAA-mf	Moody's
"F1" or AAAf	Fitch

Long-term debt ratings:

"AA"	S & P
"Aa"	Moody's
"AA"	Fitch

If an issuer of long-term debt has a Short-Term debt rating, then it may not be less than the Short-term debt ratings above.

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.

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	\$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

## 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/Compliance Unit. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. 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.

**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.

**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, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

**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.