



Submission ID:EA567452
01/23/2015 18:30:09

CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: SOCPFA Lease Revenue Bonds Series 2012 (Juvenile Justice Center), for the year ended 06/30/2014

DOCUMENTS

Financial Operating Filing

SOCPFA 2012 Bonds (Juvenile Justice) 2014 - FINAL.pdf posted 01/23/2015

THE FOLLOWING ISSUERS ARE ASSOCIATED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-6	State	Issuer Name
839097	CA	SOUTH ORANGE CNTY CALIF PUB FING AUTH LEASE REV

THE FOLLOWING 7 SECURITIES HAVE BEEN PUBLISHED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-9	Maturity Date
839097AA0	06/01/2013
839097AB8	06/01/2014
839097AC6	06/01/2015
839097AD4	06/01/2016
839097AE2	06/01/2017
839097AF9	06/01/2018
839097AG7	06/01/2019

Submitter's Contact Information

Company: David Taussig & Associates, Inc.
Name: DONNA SEGURA
Address: 5051 CANYON CREST DRIVE
City, State Zip: RIVERSIDE, CA 92507
Phone Number: 9517813100
Email: donnas@taussig.com

**SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
JUVENILE JUSTICE CENTER FACILITY
LEASE REVENUE REFUNDING BONDS
SERIES 2012
ANNUAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2014**

Dated January 22, 2015

Prepared at the direction of and on behalf of:

County of Orange
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by:

David Taussig & Associates, Inc.
5000 Birch Street, Suite 6000
Newport Beach, CA 92660

**South Orange County Public Financing Authority
Juvenile Justice Center Facility
Lease Revenue Refunding bonds
Series 2012
Annual Report
For Fiscal Year Ended June 30, 2014**

TABLE OF CONTENTS

INTRODUCTION	1
FINANCIAL AND OPERATING DATA	2
1. Audited Financial Statements	2
2. Final Budget of the County	2
3. Numerical and Tabular Information	4
a. County Financial Information – Tables A-3 through A-5 and Tables A-7 through A-19	4
b. County Investment Policy	18

INTRODUCTION

The County of Orange, California (the “County”) hereby provides its annual report (the “Annual Report”) for the fiscal year ended June 30, 2014 in connection with the following Bonds:

Bond Issue:

South Orange County Public Financing Authority, Juvenile Justice Center Lease Revenue Refunding Bonds, Series 2012 (“2012 Lease Revenue Refunding Bonds”).

Annual Report:

The County’s Annual Report, as defined by the Continuing Disclosure Certificate (the “Disclosure Certificate”), with respect to the 2012 Lease Revenue Refunding Bonds for the Fiscal Year ended June 30, 2014 is attached hereto.

Other Matters:

This Annual Report is provided solely for purposes of the Disclosure Certificate. The filing of this Annual Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the County or the 2012 Lease Revenue Refunding Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Annual Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the County’s financial condition, the security for the 2012 Lease Revenue Refunding Bonds, or an investor’s decision to buy, sell, or hold the 2012 Lease Revenue Refunding Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the County.

Dated: January 14, 2015

COUNTY OF ORANGE, CALIFORNIA

FINANCIAL AND OPERATING DATA

1. Audited Financial Statements for Fiscal Year Ended June 30, 2014.

Please refer to the County of Orange Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2014 included as Attachment A.

2. Final Budget of the County for Fiscal Year 2013-14 – Table A-6:

**TABLE A-6
COMPARISON OF GENERAL FUND
FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2011-12 TO 2014-15**

	2011-12 ⁽¹⁾ Final Budget	2012-13 ⁽¹⁾ Final Budget	2013-14 ⁽¹⁾ Final Budget	2014-15 Modified Budget
REQUIREMENTS:				
Public Protection	\$988,343,935	\$1,023,065,226	\$1,051,475,536	\$1,075,351,619
Health & Community & Social Services	1,529,848,441	1,601,302,690	1,606,193,281	1,602,403,469
Infrastructure & Environmental Resources	106,255,171	104,212,709	98,466,437	96,059,081
General Government & Services	141,606,884	147,546,030	147,269,213	151,712,412
Capital Improvements ⁽²⁾	100,403,974	68,705,534	29,945,072	38,728,986
Debt Service ⁽³⁾	583,679,315	561,950,943	413,678,412	58,775,030
Insurance, Reserves & Miscellaneous ⁽⁴⁾	13,620,160	34,677,217	13,214,741	21,223,390
Increases to Reserves ⁽⁵⁾	2,483,555	45,425,005	0	0
Total Requirements	\$3,466,241,435	\$3,586,885,354	\$3,360,242,692	\$3,044,253,987
AVAILABLE FUNDS:				
Fund Balance Available	\$42,495,889	\$45,425,005	\$0	\$0
Property Taxes ⁽⁶⁾	603,431,224	601,122,362	569,100,585	603,715,616
Sales Tax	7,346,000	7,921,000	8,426,000	8,482,000
Licenses, Permits & Franchises	16,623,246	19,277,343	20,216,426	19,934,032
Fines, Forfeitures & Penalties ⁽⁷⁾	40,151,102	39,755,872	35,153,448	34,795,234
Use of Money & Property ⁽⁸⁾	6,860,770	6,252,889	4,800,217	4,730,568
Intergovernmental Revenues ⁽⁹⁾	1,470,923,735	1,585,831,268	1,607,436,052	1,567,487,908
Charges for Services ⁽¹⁰⁾	415,610,462	415,036,900	422,395,830	437,850,023
Miscellaneous Revenues ⁽¹¹⁾	38,927,076	253,550,178	31,874,007	22,689,559
Other Financing Sources ⁽¹²⁾	823,871,931	550,096,898	646,354,668	329,841,006
Decreases to Reserves ⁽⁵⁾	0	62,615,639	14,485,459	14,728,041
Total Available Funds	\$3,466,241,435	\$3,586,885,354	\$3,360,242,692	\$3,044,253,987

-
- (1) Final Budgets include all mid-year budget adjustments.
 - (2) Fiscal Year 2011-12 reflects the appropriation of \$73.5 million in Vehicle License Fee Adjustment Amount (“VLFAA”) to support debt prepayment on information technology projects and deferred maintenance for critical public safety facilities. This action was taken by the Board of Supervisors on February 7, 2012. Additionally, Fiscal Year 2012-13 includes First Quarter Budget Adjustments which re-appropriated carryover funds of \$39.9 million for one-time deferred maintenance of critical public safety facilities.
 - (3) The Fiscal Year 2011-12 budget includes appropriations of the proceeds of Taxable Pension Obligation Bonds, 2012 Series A and subsequent prepayment to the retirement system. Fiscal Year 2011-12 and Fiscal Year 2012-13 budgets include appropriations for debt service to repay the Taxable Pension Obligation Bonds, 2011 Series A in an amount of \$275.9 million and Taxable Pension Obligation Bonds, 2012 Series A of \$229.9 million, respectively. In addition, Fiscal Year 2011-12 includes a \$38 million reduction in debt service related to the 2005 Lease Revenue Refunding Bonds corresponding with the reduction of transportation sales tax in footnote 9.
 - (4) Increase in Fiscal Year 2012-13 includes \$16.7 million one-time settlement payment to cities in Orange County pursuant to the Property Tax Administration Fee litigation agreement and \$5.0 million to fund the construction of U.S Immigration and Customs Enforcement (ICE) Court Modular project.
 - (5) The net reserves decrease each year represents funding for new programs, carryover items and year end budget shortfalls. Fiscal Year 2013-14 and Fiscal Year 2014-15 beginning budgeted fund balance is zero consistent with Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions,” which requires all year-end fund balance available to be reclassified and transferred to reserves. Fiscal Year 2012-13 and Fiscal Year 2013-14 actual year-end fund balances reclassified and transferred to reserves were \$129.7 million and \$67 million respectively. Table A-5 herein sets forth the net increase in fund balance including Governmental Accounting Standards Board Statement No. 54 reclassifications and other adjustments.
 - (6) Fiscal Year 2011-12 and Fiscal Year 2012-13 each include \$73.5 million in additional VLFAA under California Revenue and Taxation Code section 97.70. Assembly Bill 701 (“AB 701”) provides for \$53 million in annual VLFAA in lieu of \$50 million previously provided by Senate Bill 8 X3 (“SB 8 X3”) and the repayment of the \$150 million previously allocated in Fiscal Year 2011-12 and Fiscal Year 2012-13. Due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies, Fiscal Year 2013-14 and Fiscal Year 2014-15 property tax revenues increased, but the increase is offset by the ongoing \$73.5 million loss of VLFAA revenue.
 - (7) Fines, Forfeitures & Penalties revenue decreased due to the reduction in statutory court revenue collections by the Superior Courts and the reduction to property tax penalties received from delinquent taxes.
 - (8) Decrease due to lower interest earnings.
 - (9) This funding is comprised of Federal and State grants and reimbursements, matching funds and State-distributed revenues. The overall increase during Fiscal Year 2011-12 through Fiscal Year 2013-14 is due to an increase in caseloads due to the economic recession along with additional revenues from the State for the 2011 Realignment of various public safety, social services and health programs.
 - (10) Increase in Fiscal Year 2014-15 is due to an increase in cost of services to cities which contract for Sheriff security services.
 - (11) Fiscal Year 2012-13 includes \$232 million in revenue from departments for debt service of the Taxable Pension Obligation Bonds, 2012 Series A. Fiscal Year 2011-12, Fiscal Year 2013-14, and Fiscal Year 2014-15 do not include revenues from departments; it is recorded as a Balance Sheet transaction.
 - (12) Includes 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. Fiscal Year 2011-12, Fiscal Year 2012-13, and Fiscal Year 2013-14 budgets include \$240 million, \$270.0 million, and \$347.0 million respectively to account for the proceeds of the Taxable Pension Obligation Bonds. Fiscal Year 2011-12 revenue included \$280 million in transfers in from departments. In Fiscal Year 2012-13, revenues for the repayment of the Taxable Pension Obligation Bonds, 2012 Series A were booked in the Miscellaneous Revenues category. Fiscal Year 2014-15 includes no appropriations for Taxable Pension Obligation Bonds. Additionally, Fiscal Year 2012-13 also includes a Board approved one-time prepayment of debt for various information technology projects.

Source: County of Orange, County Budget Office

3. Numerical and tabular information of the type contained in Appendix A to the Official Statement, as follows:

- a) County Financial Information – Tables A-3 through A-5 and Tables A-7 through A-19:

**TABLE A-3
COUNTY OF ORANGE
GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
JUNE 30, 2013 AND JUNE 30, 2014
(In Thousands)**

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2013	2014	2013	2014	2013	2014
General Fund	\$2,865,893	\$2,879,856	\$2,744,670	\$2,808,016	\$121,223	\$71,840
Roads	59,444	109,937	80,652	107,694	(21,208)	2,243
Flood Control District	134,978	169,260	160,101	154,993	(25,123)	14,267
Other Public Protection	63,559	49,261	44,059	48,203	19,500	1,058
Teeter Plan Notes	73,641	50,786	15,808	43,959	57,833	6,827
Other Governmental	621,950	600,011	592,923	615,209	29,027	(15,198)
TOTAL	\$3,819,465	\$3,859,111	\$3,638,213	\$3,778,074	\$181,252	\$81,037

Source: Orange County Comprehensive Annual Financial Report dated June 30, 2013 and 2014.

TABLE A-4
GENERAL FUND AND GENERAL FUNDS COMBINED BALANCE SHEET ⁽¹⁾
JUNE 30, 2013 AND JUNE 30, 2014
(In Thousands)

	2012-13		2013-14	
	Total Governmental Funds	General Fund	Total Governmental Funds	General Fund
<u>ASSETS</u>				
Pooled Cash/Investments	\$1,586,772	\$351,100	\$1,670,607	\$425,057
Imprest Cash Funds	1,925	1,864	1,925	1,864
Restricted Cash and Investments with Trustee	210,602	1,574	196,780	1,536
Investments	123	-	14,809	--
Deposits In-Lieu of Cash	5	-	35	--
Receivables				
Accounts	12,635	9,747	22,416	18,909
Taxes	46,260	8,942	44,897	11,900
Interest/Dividends	1,119	431	1,559	533
Deposits	5,104	491	5,260	492
Advances	30	30	30	30
Allowance for Uncollectible Receivables	(4,211)	(4,036)	(6,432)	(4,399)
Due from Other Funds	95,398	50,495	101,600	63,956
Due from Component Unit	366	366	455	455
Due from Other Governmental Agencies, Net	457,599	335,970	473,901	350,784
Inventory of Materials and Supplies	1,411	655	1,631	902
Prepaid Costs	278,281	260,291	336,613	316,320
Land and Improvements Held for Resale	145	-	145	--
Advances to Other Funds	2,500	2,500	3,800	3,800
Notes Receivable, Net	34,262	--	28,747	--
Total Assets	<u>\$2,730,326</u>	<u>\$1,020,420</u>	<u>2,898,778</u>	<u>\$1,192,139</u>
<u>LIABILITIES</u>				
Liabilities				
Accounts Payable	\$55,842	\$36,223	\$91,904	\$65,154
Retainage Payable	7,019	1,696	10,185	2,044
Salaries and Employee Benefits Payable	71,671	66,906	61,066	57,182
Interest Payable	30	-	1,156	1,135
Deposits from Others	45,068	1,335	35,877	1,553
Due to Other Funds	91,452	43,601	99,030	35,780
Due to Component Unit	1	-	--	--
Due to Other Governmental Agencies	28,859	10,903	42,393	27,847
Deferred Revenue	227,894	123,290	--	--
Unearned Revenue	41,125	19,642	41,197	19,410
Bonds Payable	268,360	268,360	325,405	325,405
Advances from Other Funds	6,418	3,918	6,934	3,134
Estimated Litigation and Claims	--	--	1,129	--
Total Liabilities	<u>\$843,739</u>	<u>\$575,874</u>	<u>\$716,276</u>	<u>\$538,644</u>

TABLE A-4 Cont.
GENERAL FUND AND GENERAL FUNDS COMBINED BALANCE SHEET ⁽¹⁾
JUNE 30, 2013 AND JUNE 30, 2014
(In Thousands)

	2012-13		2013-14	
	Total Governmental Funds	General Fund	Total Governmental Funds	General Fund
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue – Intergovernmental Revenues	--	--	149,103	73,769
Unavailable Revenue – Senate Bill 90 Mandated Claims, Net	--	--	47,926	47,926
Unavailable Revenue – Property Taxes	--	--	10,929	9,485
Unavailable Revenue – Long Term Notes Receivables	--	--	642	--
Unavailable Revenue – Others	--	--	6,278	5,929
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>214,878</u>	<u>\$137,109</u>
<u>FUND BALANCES</u>				
Nonspendable	282,375	263,446	342,229	321,022
Restricted	1,392,235	34,679	1,404,130	42,028
Assigned	133,713	68,157	221,265	153,336
Unassigned	78,264	78,264	--	--
Total Fund Balances	<u>\$1,886,587</u>	<u>\$444,546</u>	<u>\$1,967,624</u>	<u>\$516,386</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$2,730,326</u>	<u>\$1,020,420</u>	<u>\$2,898,778</u>	<u>\$1,192,139</u>

(1) The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2014 in Attachment A.

Sources: Orange County Comprehensive Annual Financial Reports June 30, 2013 and 2014.

TABLE A-5
COUNTY OF ORANGE
COMPARISON OF STATEMENT OF GENERAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(IN THOUSANDS)
FISCAL YEARS ENDING JUNE 30 (2009-10 THROUGH 2013-14)

	2010	2011	2012	2013	2014
REVENUES					
Taxes ⁽¹⁾	\$ 557,087	\$ 555,229	\$ 610,493	\$ 668,819	\$ 599,366
Licenses, Permits & Franchises	10,899	15,121	16,481	13,190	22,595
Fines, Forfeitures & Penalties	41,067	42,442	41,986	35,562	33,039
Use of Money and Property	5,818	6,404	5,394	3,510	5,260
Intergovernmental Revenues	1,320,306	1,346,710	1,419,777	1,551,407	1,593,107
Charges for Services	370,324	418,768	369,167	389,367	410,108
Other Revenues	18,854	19,075	19,364	18,147	13,124
TOTAL REVENUES	\$2,324,355	\$2,403,749	\$2,482,662	\$2,681,002	\$2,676,599
EXPENDITURES					
General Government	\$ 156,057	\$ 155,629	\$ 142,577	\$ 169,625	\$ 140,816
Public Protection	951,930	975,366	1,004,669	1,047,148	1,082,961
Public Ways and Facilities	40,436	41,687	37,654	36,614	35,570
Health and Sanitation	558,491	573,531	578,584	609,572	620,256
Public Assistance	738,227	753,177	735,713	749,128	795,582
Capital Outlay	15,291	10,142	16,713	12,459	12,454
Principal Retirement	18,301	18,619	19,484	20,252	21,622
Interest	14,079	14,220	15,228	9,204	9,844
Debt Issuance Costs	--	--	--	--	200
TOTAL EXPENDITURES	\$2,492,812	\$2,542,371	\$2,550,622	\$2,654,002	\$2,719,305
Excess (Deficit) of Revenues Over Expenditures	\$ (168,457)	\$ (138,622)	\$ (67,960)	\$ 27,000	(42,706)
Other Financing Sources (Uses)					
Transfers In ⁽²⁾	259,631	231,664	213,289	184,891	203,257
Transfers Out ⁽²⁾	(110,934)	(115,029)	(70,689)	(90,668)	(88,711)
Capital Lease Proceeds	--	133	--	--	--
Total Other Fin. Sources (Uses)	148,697	116,768	142,600	94,223	114,546
Net Change in Fund Balances	\$ (19,760)	\$ (21,854)	\$ 74,640	\$ 121,223	\$ 71,840
Fund Balances – Beginning of Year	288,044	268,284	278,594	353,234	444,546
Adjustments ⁽³⁾	--	32,164	--	(29,911)	--
Fund Balances – Beginning of Year as Restated	--	300,448	--	323,323	--
FUND BALANCES – End of Year	\$ 268,284	\$ 278,594	\$ 353,234	\$ 444,546	\$ 516,386

(1) Primarily property taxes, as well as local sales and other taxes.

(2) 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, 2014” included as Attachment A.

(3) 2011 adjustment to fund balances due to the implementation of Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” 2013 adjustment due to a prior period adjustment.

Sources: Orange County Comprehensive Annual Financial Reports.

TABLE A-7
COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION ⁽¹⁾

Fiscal Year	Secured	Unsecured	Total	% Change
2003-04	\$270,854,284,436	\$17,069,543,691	\$287,923,828,127	6.76%
2004-05	294,656,787,665	17,145,607,805	311,802,395,470	8.29
2005-06	325,401,404,927	17,175,454,566	342,576,859,493	9.87
2006-07	361,161,415,703	19,845,975,295	381,007,390,998	11.22
2007-08	393,203,962,346	19,465,816,713	412,669,779,059	8.31
2008-09	408,491,848,742	20,317,375,534	428,809,224,276	3.91
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

(1) 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.

TABLE A-8
COUNTY OF ORANGE
LARGEST 2013-14 LOCAL SECURED TAXPAYERS
FISCAL YEAR 2013-14

		2013-14	
Property Owner	Primary Land Use	Assessed Valuation	% of Total ⁽¹⁾
1. The Irvine Company	Commercial/Land Holdings	\$8,601,009,970	2.03%
2. Walt Disney World Company	Theme Park	4,408,491,246	1.04%
3. Irvine Apartment Communities LP	Apartments	873,118,937	0.21%
4. Oxy USA Inc.	Oil & Gas	733,110,260	0.17%
5. United Laguna Hills Mutual	Retirement Community	710,172,617	0.17%
6. Heritage Fields El Toro LLC	Mixed-Use Development	607,068,686	0.14%
7. Rreef America REIT II Corp.	Commercial	570,603,975	0.13%
8. BRE Properties Inc.	Apartments	509,465,835	0.12%
9. Linn Western Operating Inc.	Oil & Gas	448,706,418	0.11%
10. Realty Associates Funds	Commercial	446,721,234	0.11%
11. B Braun Medical Inc.	Industrial	361,167,927	0.09%
12. OC/SD Holdings LLC	Apartments	351,237,456	0.08%
13. South Coast Plaza	Commercial	349,999,119	0.08%
14. Retail Property Trust	Commercial	341,968,789	0.08%
15. Arden Realty LP	Commercial	321,060,317	0.08%
16. Allergan Pharmaceuticals	Industrial	301,454,367	0.07%
17. Knotts Berry Farm	Theme Park	295,405,062	0.07%
18. John Hancock Life Insurance Company USA	Commercial	280,438,817	0.07%
19. Sequoia Equities	Apartments	267,744,107	0.06%
20. Anna Claire Mauerhan LLC	Commercial	<u>254,437,327</u>	0.06%
TOTAL		<u>\$21,033,382,466</u>	<u>4.96%</u>

Source: California Municipal Statistics, Inc.

**TABLE A-9
COUNTY OF ORANGE
TOP TEN UNSECURED TAXPAYERS
FISCAL YEAR 2013-14**

	<u>Taxpayers</u>	<u>Unsecured Tax Charge</u>
1.	Time Warner Cable	\$4,093,699
2.	Cox Communications inc.	\$3,235,903
3.	Broadcom Corp.	\$2,112,900
4.	The Boeing Company	\$1,827,118
5.	Allergan USA Inc.	\$1,818,510
6.	Southwest Airlines Company	\$1,403,401
7.	Kimberly-Clark Worldwide Inc.	\$1,312,819
8.	Jazz Semiconductor Inc.	\$1,269,827
9.	Panasonic Avionics Corp.	\$1,129,317
10.	New Albertson's Inc.	<u>\$1,113,035</u>
	Total Tax Charge for Top 10 Unsecured	\$19,316,529

Source: Orange County Treasurer-Tax Collector

TABLE A-10
COUNTY OF ORANGE
OUTSTANDING LONG-TERM DEBT AND LEASE OBLIGATIONS

Description	Source of Repayment	Outstanding Principal Balance (June 30, 2014)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	\$2,261,112	2018
County of Orange Refunding Recovery Bonds, 2005 Series A	General Fund	17,555,000	2015
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	85,585,000	2017
County of Orange Taxable Pension Refunding Obligation Bonds, Series 1996 A ⁽¹⁾	General Fund	13,393,305	2016
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A ⁽¹⁾	General Fund	18,801,983	2021
Orange County Public Financing Authority Lease Revenue Bond, Series 2006 (Cogeneration Project)	General Fund	14,895,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	25,180,000	2019
SUBTOTAL- GENERAL FUND OBLIGATIONS		\$177,671,400	
Airport Revenue Bonds, Series 2009A	Airport Revenues	\$63,785,000	2039
Airport Revenue Bonds, Series 2009B	Airport Revenues	147,485,000	2039
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014 (Neighborhood Development and Preservation Project)	Redevelopment Property Tax Trust Fund	14,090,000	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	20,960,000	2023
TOTAL		\$423,991,400	

- (1) The Outstanding Taxable Refunding Pension Obligation Bonds, Series 1996A and 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.

Source: County of Orange, CEO Public Finance Unit.

TABLE A-11
COUNTY OF ORANGE
CAPITAL LEASE PAYMENTS
(IN THOUSANDS)

Fiscal Year Ending June 30	
2015	8,574
2016	8,762
2017	8,987
2018	9,172
2019	9,351
2020-2024	39,577
2025-2029	<u>5,557</u>
Total minimum lease payments	89,980
Less: Amount Representing Interest	<u>(27,534)</u>
Present Value of Net Minimum Lease Payments	<u><u>62,446</u></u>

Source: Orange County Comprehensive Annual Financial Report dated June 30, 2014.

TABLE A-12
COUNTY OF ORANGE
OPERATING LEASE PAYMENTS
(IN THOUSANDS)

Fiscal Year Ending June 30	Equipment	Real Property	Total
2015	\$1,535	\$28,030	\$29,565
2016	37	24,662	24,699
2017	22	16,392	16,414
2018	--	12,089	12,089
2019	--	10,542	10,542
2020-2024	--	31,767	31,767
2025-2029	--	182	182
TOTAL	<u>\$1,594</u>	<u>\$123,664</u>	<u>\$125,258</u>

Source: Orange County Comprehensive Annual Financial Report dated June 30, 2014.

**TABLE A-13
COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT**

ORANGE COUNTY

2013-14 Assessed Valuation: \$447,631,039,763 (includes unitary utility valuation)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/14</u>
Metropolitan Water District	20.233%	\$ 26,763,201
Coast Community College District	100.	632,413,698
North Orange County Joint Community College District	97.675	196,560,194
Rancho Santiago Community College District	100.	285,430,201
Unified School Districts	0.135-100.	1,499,992,539
Anaheim Union High School District	100.	100,323,955
Fullerton Joint Union High School District	91.479	45,957,138
Huntington Beach Union High School District	100.	206,874,998
School Districts	100.	425,492,392
Irvine Ranch Water District Improvement Districts	100.	520,000,000
Moulton-Niguel Water District Improvement Districts	100.	21,315,000
Santa Margarita Water District Improvement Districts	100.	142,120,000
South Coast Water District	100.	1,920,000
Cities	100.	31,960,000
Orange County Community Facilities Districts	100.	326,014,621
Other Community Facilities Districts	100.	1,573,293,818
City and Special District Special Assessment Bonds	100.	864,103,521
County 1915 Act Bonds	100.	83,815,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$6,984,350,276

<u>OTHER DIRECT AND OVERLAPPING DEBT:</u>		
Orange County General Fund Obligations	100. %	\$ 145,476,000
Orange County Pension Obligation Bonds	100.	357,600,288
Orange County Office of Education Certificates of Participation	100.	15,500,000
Municipal Water District of Orange County Water Facilities Corporation	100.	7,775,000
Unified School District Certificates of Participation	0.135-100.	400,305,256
High School District Certificates of Participation	91.479-100.	116,457,836
School District Certificates of Participation	100.	75,736,299
City of Anaheim General Fund Obligations	100.	729,677,465
Other City General Fund Obligations	100.	451,007,253
Moulton-Niguel Water District Certificates of Participation	100.	81,795,000
Other Special District General Fund Obligations	100.	290,000
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		\$2,381,620,397
Less: MWDOC Water Facilities Corporation (100% supported)		7,775,000
City of Anaheim supported obligations		722,197,465
Other city authority supported bonds		18,788,613
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		\$1,632,859,319

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Anaheim Redevelopment Agency	100. %	\$ 205,705,000
Brea Redevelopment Agency	100.	174,308,700
Westminster Redevelopment Agency	100.	121,685,000
Fullerton Redevelopment Agency	100.	86,660,000
Buena Park Redevelopment Agency	100.	86,175,000
Other Redevelopment Agencies	100.	529,722,865
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$1,204,256,565

GROSS COMBINED TOTAL DEBT	\$10,570,227,238	(2)
NET COMBINED TOTAL DEBT	\$9,821,466,160	

- (1) The percentage of overlapping debt applicable to the county is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the county divided by the district's total taxable assessed value.
- (2) 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.

Ratios to 2013-14 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt	1.56%
Total Direct Debt (\$503,076,288)	0.11%
Gross Combined Total Debt.....	2.36%
Net Combined Total Debt	2.19%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$44,548,393,034):

Total Overlapping Tax Increment Debt	2.70%
--	-------

Source: California Municipal Statistics, Inc.

TABLE A-14
ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT RETURNS

Year Ended December 31	Actuarial Value Investment Return	Market Value Investment Return
2004	8.35%	11.26%
2005	8.72	8.11
2006	9.71	13.17
2007	10.49	11.18
2008	4.23	(20.76)
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
5-Year Average Return	4.88%	9.95%
10-Year Average Return	6.56%	6.78%

Source: County of Orange Retirement System Actuarial Valuation and Review, December 31, 2013.

TABLE A-15
ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
CONTRIBUTIONS
(IN THOUSANDS OF DOLLARS)

	Years Ended December 31⁽¹⁾			
	2010	2011	2012	2013
Contributions Received ⁽²⁾	\$550,366	\$571,405	\$598,020	\$636,396
Net Investment Income (Loss) ⁽³⁾	888,542	50,456	1,004,770	1,155,967
Participant's Benefits ⁽⁴⁾	(448,937)	(484,875)	(531,057)	(576,420)
Withdrawals and Refunds	(10,446)	(8,874)	(10,097)	(9,864)
Administrative Expenses	(12,368)	(12,828)	(14,209)	(15,025)
Increases in Net Position Restricted for Pension and OPEB	\$967,157	\$115,284	\$1,047,427	\$1,191,054

(1) Includes pension fund portion only and excludes Retiree Medial Trust amounts held at OCERS.

(2) Discount on prepaid contributions is reflected in Contributions Received. This includes the discounts attributable to the early employer payments of certain pension obligations in calendar years 2010 and 2011.

(3) Net Investment Income includes Net Securities Lending Income.

(4) Participant benefits include death benefits.

Source: OCERS Comprehensive Annual Financial Reports.

TABLE A-16
ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS ⁽¹⁾
(IN THOUSANDS OF DOLLARS)

Actuarial Valuation December 31	Actuarial Value of Assets ⁽¹⁾	Market Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾	Actuarial Funded Ratio ⁽³⁾	Market Funded Ratio ⁽⁴⁾	Covered Payroll ⁽⁵⁾	UAAL as a Percentage of Covered Payroll ⁽⁶⁾
2003	4,790,099	4,959,626	6,099,433	1,309,334	78.53%	81.31%	1,243,964	105.25%
2004	5,245,821	5,556,995	7,403,972	2,158,151	70.85%	75.05%	1,257,085	171.68%
2005	5,786,617	5,923,112	8,089,627	2,303,010	71.53%	73.22%	1,276,764	180.38%
2006	6,466,085	6,817,726	8,765,045	2,298,960	73.77%	77.78%	1,322,952	173.78%
2007	7,288,900	7,719,690	9,838,686	2,549,786	74.08%	78.46%	1,457,159	174.98%
2008	7,748,380	6,248,558	10,860,715	3,112,335	71.34%	57.53%	1,569,764	198.27%
2009	8,154,687	7,464,761	11,858,578	3,703,891	68.77%	62.95%	1,618,491	228.85%
2010	8,672,592	8,357,835	12,425,873	3,753,281	69.79%	67.26%	1,579,239	237.66%
2011	9,064,355	8,465,593	13,522,978	4,458,623	67.03%	62.60%	1,619,474	275.31%
2012	9,469,208	9,566,659	15,144,888	5,675,680	62.52%	63.17%	1,609,600	352.55%
2013	10,417,125	10,679,292	15,785,042	5,367,917	65.99%	67.65%	1,604,496	334.55%

- (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.

Source: The Orange County Employees' Retirement System Comprehensive Annual Financial Reports.

TABLE A-17
ORANGE COUNTY EMPLOYEES' RETIREMENT SYSTEM
COUNTY CONTRIBUTIONS
(IN THOUSANDS OF DOLLARS)

Year Ended June 30	County Cash Contribution	Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
2006	\$201,251	\$11,596	\$212,847	100%
2007	223,505	11,000	234,505	100
2008	253,620	11,000	264,620	100
2009	256,531	36,500	293,031	100
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

Sources: Orange County Comprehensive Annual Financial Reports.

TABLE A-18
ORANGE COUNTY RETIREE MEDICAL PLAN
SCHEDULE OF FUNDING PROGRESS
(IN THOUSANDS OF DOLLARS)

Actuarial Valuation as of June 30 ⁽¹⁾	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)
2009	94,110	456,005	361,895	20.6%	1,267,427	28.6%
2011	116,804	528,639	411,835	22.1%	1,273,636	32.3%
2013	155,702	573,763	418,061	27.1%	1,173,062	35.6%

(1) Valuation reports are received every other year.

Source: Orange County Comprehensive Annual Financial Report dated June 30, 2014.

TABLE A-19
ORANGE COUNTY RETIREE MEDICAL PLAN
CALCULATION OF OPEB ASSET
(IN THOUSANDS OF DOLLARS)

	2010-11	2011-12	2012-13	2013-14
Annual Required Contribution	36,378	41,169	42,713	43,298
Interest on Net OPEB Obligation	(3,378)	(3,017)	(2,608)	(3,030)
Amortization of Net OPEB Obligation	2,848	2,688	2,392	2,868
Annual OPEB Cost	35,848	40,840	42,497	43,136
Contributions Made	(33,877)	(35,197)	(48,336)	(50,060)
Increase/(Decrease) in Net OPEB Obligation	1,971	5,643	(5,839)	(6,924)
Net OPEB Obligation/(Asset), Beginning of Year	(43,580)	(41,609)	(35,966)	(41,805)
Net OPEB Obligation/(Asset), End of Year	(41,609)	(35,966)	(41,805)	(48,729)

Source: Orange County Comprehensive Annual Financial Reports.

(b) County Investment Policy

The County Treasurer is granted the authority to deposit and invest County and County agency funds under the Treasurer's control pursuant to California Government Code Section 27000 et seq. and Section 53600 et seq. and certain actions of the County Board of Supervisors. Additionally, community college and school districts located in the County are required to deposit their moneys with the Treasurer pursuant to the California Education Code. The deposits of funds from other districts and local agencies may be invested with the Treasurer pursuant to a procedure established by California Government Code Section 53684 and other statutory provisions.

The total investment responsibility of the Treasurer as delegated by County Board of Supervisors includes: the Orange County Investment Pool (the "County Pool") that includes the Voluntary participants' funds, the Orange County Educational Investment Pool (the "Educational Pool"), the John Wayne Airport Investment Pool, and various other small non-Pooled investment funds. 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 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 Treasurer established three Money Market Funds, the Orange County Money Market Fund, the Orange County Educational Money Market Fund, and the John Wayne Airport Investment Pool, which all are invested in cash-equivalent securities and provide liquidity for immediate cash needs. The County Treasurer also established the Extended Fund that is for cash needs between one and five years. The County Pool is comprised of the Orange County Money Market Fund and portions of the Extended Fund. The Educational Pool is comprised of the Orange County Educational Money Market Fund and portions of the Extended Fund. The Board of Supervisors approved the 2015 Investment Policy on December 17, 2014. A copy of the 2015 Investment Policy is located at ocgov.com/ocinvestments. On September 11, 2014, S&P reaffirmed AAAM Principal Stability Fund Ratings for the County Money Market Fund and Educational Money Market Fund. The pools are not registered with the SEC.

The maximum maturity of any investment in the money market funds is 13 months, with a maximum weighted average maturity of 60 days. The maximum maturity of the Extended Fund is 5 years, with duration not to exceed that of a leading 1-3 year U.S. Treasury index +25%. The investments in the pools are marked to market daily to determine the value of the pools. To further maintain safety, adherence to an investment strategy of diversification in regard to instruments and maturities, as well as maintenance of internal controls for proper accounting and reporting, compliance, document safekeeping, collateralization and qualified financial broker-dealers is required.

See attached County Investment Policy Statement.

ATTACHMENT A

**COUNTY OF ORANGE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR
FISCAL YEAR ENDED JUNE 30, 2014**



COUNTY *of* ORANGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014

JAN E. GRIMES, CPA // AUDITOR-CONTROLLER

Ronald W. Caspers Wilderness Park

This year's cover depicts Ronald W. Caspers Wilderness Park; an 8,000 acre protected wilderness preserve nestled among the river terraces and sandstone canyons of the western coastal Santa Ana Mountains. The largest park in the OC Park's System, its many fertile valleys are complemented by specimen groves of native Coastal Live Oak and magnificent stands of California Sycamore. These areas are accentuated by seasonal wildflower displays and running streams. Wildlife is abundant and can be readily viewed from any of the parks numerous trails.

The land which is currently Caspers Wilderness Park has had many uses before reaching its present state. For many years, the property served as a cattle ranch for various land owners such as the O'Neill and Starr Families. In 1973 and early 1974, the Orange County Board of Supervisors, under the direction of Chairman Ronald W. Caspers, voted to purchase the southern 5,500 acres of the ranch for use as a public recreational facility. On April 12, 1974, the park was opened under the name of Starr Viejo Regional Park for wilderness day use and camping. The park name was later changed to its current name in honor of Ronald W. Caspers. In 1984, additional acreage was acquired from the O'Neill Ranch bringing the park to its present size of approximately 8,000 acres.

Activities and Amenities:

Year round camping is one of the many activities offered by Caspers Wilderness Park. Visitors have the option of tent, RV or equestrian camping. Other activities offered include ranger guided nature walks, bird watching and hiking. The amenities the park provides include picnic areas, barbecues, fire rings, hiking trails, mountain bike trails, equestrian trails, amphitheater and playgrounds.

Location:

Caspers Wilderness Park is located at 33401 Ortega Hwy, San Juan Capistrano, CA 92675. The park is open for day use from 7 a.m. to sunset, as well as year round camping. For more information about Caspers Wilderness Park, please visit <http://ocparks.com/parks/ronald> or call (949) 923-2210 or (949) 923-2207.

Acknowledgements:

Information & Photos Courtesy of OC Parks

Cover Design by Meiwen Wang, Volunteer Graphic Artist

Divider Photos Courtesy of Raj Ghodsasara, Volunteer Photographer

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014



Jan E. Grimes, CPA
Auditor-Controller

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	13
Organizational Chart	14

FINANCIAL SECTION

Independent Auditor's Report	15
Management's Discussion and Analysis (Required Supplementary Information)	18
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	40
Statement of Activities	42
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	44
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	46
Statement of Revenues, Expenditures, and Changes in Fund Balances	48
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	50
Budgetary Comparison Statements:	
General Fund	52
Roads	53
Flood Control District	54
Other Public Protection	55
Proprietary Fund Financial Statements:	
Statement of Net Position	56
Statement of Revenues, Expenses, and Changes in Fund Net Position	58
Statement of Cash Flows	59
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	61
Statement of Changes in Fiduciary Net Position	62
Notes to the Basic Financial Statements:	
1. Summary of Significant Accounting Policies	63
2. Change in Accounting Principle	83
3. Deficit Fund Equity	83
4. Deposits and Investments	84
5. Changes in Capital Assets	95
6. Receivables	97

FINANCIAL SECTION (Continued)

Basic Financial Statements (Continued):

Notes to the Basic Financial Statements (Continued):

7. Interfund Receivables and Payables	97
8. County Property on Lease to Others	99
9. Interfund Transfers	100
10. Short-Term Obligations	101
11. Long-Term Obligations	103
12. Conduit Debt Obligations and Successor Agency Debt	112
13. Leases	113
14. Landfill Site Closure and Postclosure Care Costs	114
15. Construction and Other Significant Commitments and Contingencies	115
16. Self-Insurance	119
17. Estimated Liability for Pollution Remediation	120
18. Retirement Plans	123
19. Postemployment Health Care Benefits	131
20. Subsequent Events	136

Required Supplementary Information:

Orange County Extra-Help Defined Benefit Plan:

Schedule of Changes in the County's Net Pension Liability and Related Ratios	137
Schedule of Investment Returns	137
Schedule of County Contributions	138

Orange County Retiree Medical Plan:

Schedule of Funding Progress	138
------------------------------------	-----

Supplemental Information:

Major Governmental Fund:

Budgetary Comparison Schedule:

Debt Service	140
--------------------	-----

Nonmajor Governmental Funds:

Combining Balance Sheet	144
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	149

Budgetary Comparison Schedules:

Special Revenue	154
Debt Service	159
Capital Projects	160
Permanent Fund	161

Internal Service Funds:

Combining Statement of Net Position	163
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	166
Combining Statement of Cash Flows	169

FINANCIAL SECTION (Continued)

Supplemental Information (Continued):

Fiduciary Funds:

Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds.....	174
Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds	175
Combining Statement of Fiduciary Net Position - Pension and Other Employee Benefits Trust Funds	176
Combining Statement of Changes in Fiduciary Net Position - Pension and Other Employee Benefits Trust Funds	178
Combining Statement of Fiduciary Net Position – All Agency Funds	180
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	181

STATISTICAL SECTION

Financial Trends:

Net Position by Component.....	184
Changes in Net Position	188
Fund Balances, Governmental Funds	192
Changes in Fund Balances of Governmental Funds	194

Revenue Capacity:

Assessed Value of Taxable Property	196
Principal Property Taxpayers	198
Property Tax Levies and Collections	199

Debt Capacity:

Ratios of Outstanding Debt by Type	200
Ratios of Net General Debt Outstanding	202
Legal Debt Margin as a Percentage of Debt Limit.....	203
Pledged Revenue Coverage	204

Economic and Demographic Information:

Demographic and Economic Statistics	205
Principal Employers	206

Operating Information:

Full-time Equivalent County Employees by Function	207
Operating Indicators by Function/Program	208
Capital Assets Statistics by Function	212





Ronald W. Caspers Wilderness Park



**AUDITOR-CONTROLLER
COUNTY OF ORANGE**

HALL OF FINANCE AND RECORDS
12 CIVIC CENTER PLAZA, ROOM 200
POST OFFICE BOX 567
SANTA ANA, CALIFORNIA 92702-0567

(714) 834-2450 FAX: (714) 834-2569

www.ac.ocgov.com



**COUNTY EXECUTIVE OFFICE
COUNTY OF ORANGE**

ROBERT E. THOMAS HALL OF
ADMINISTRATION
333 W. SANTA ANA BLVD.
SANTA ANA, CALIFORNIA 92701

(714) 834-2345 FAX: (714) 834-3018

www.oc.ca.gov

December 24, 2014

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, 2014, 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 are accurate in all material respects and are 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 Macias Gini & O'Connell LLP (MGO). 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, 2014, 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, 2014. The independent auditor's report is located at the front of the financial section of this report.

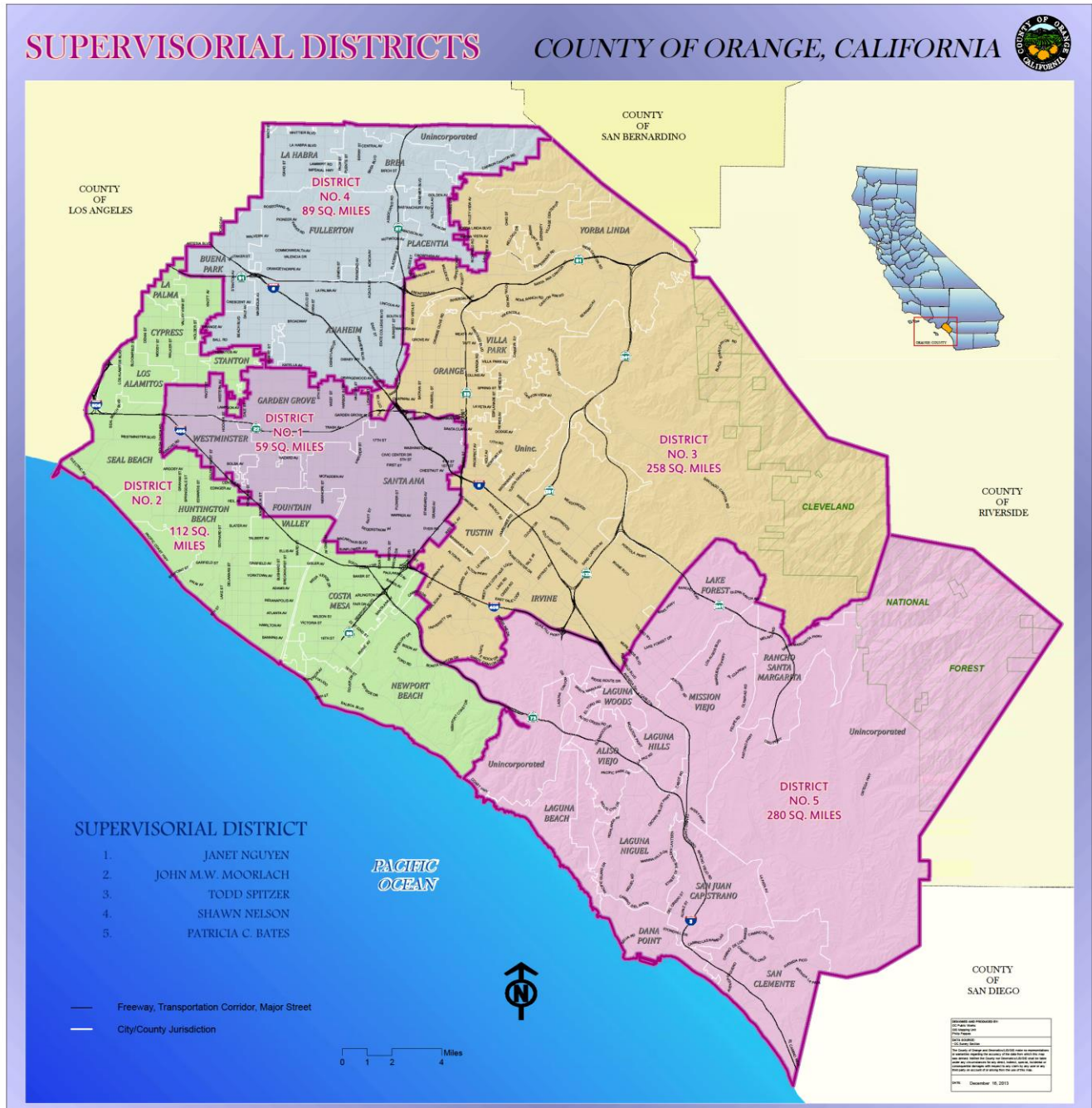
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

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 is 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 of Orange 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 all other respects, the County is like a general law county. The County is governed by a five-member Board of Supervisors (the Board), who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each approximately equal in population.

The district boundaries were revised effective September 6, 2011, incorporating the results of the 2010 census. A County Executive Officer (CEO) oversees seventeen county departments, and elected department heads oversee six county departments. The Supervisorial Districts map below shows the boundaries of Orange County and the areas governed by each member of the Board.



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

Countywide Services		Unincorporated Area Services	
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 Assistance		
Elections & Voter Registration	Public Defender/ Alternate Defense		
Environmental / Regulatory Health	Public & Mental Health		
Flood Control & Transportation	Senior Services		
OC Parks	Collection & Appeals		
Disaster Preparedness	Weights & Measures		
Grand Jury	Local Agency Formation Commission		

Contract Services for Cities	
Animal Care & Control	Libraries
Law Enforcement	Public Works & Engineering

Source: County of Orange Facts and Figures, 2013

In addition to these services, the County is also financially accountable for the reporting of component units. Blended and fiduciary component 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 component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The County's fiduciary component unit, Orange County Development Successor Agency, was established as a result of the dissolution of the OCDA. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2014: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, County Service Areas, Special Assessment Districts, and 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.

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 and major Debt Service Fund 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 to the following year's budget. 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.

The County of Orange eGovernment website portal at <http://www.ocgov.com> provides online services and extensive information about County government to Orange County residents, businesses, partners, and visitors. The public-facing technology provides information and online services to the public 24/7. During Fiscal Year (FY) 2013-14, the website received over 12 million visits with 24% of traffic coming from mobile devices. The County's website 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 video, Board agenda public comment submissions, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, 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 Orange County economy are: how well the local economy performs relative to surrounding counties, the state, and the nation (external indicators); and how well the local economy performs relative to its own historical trends (internal indicators). This section provides various external and internal indicators that describe the current and projected outlook of the Orange County economy.

In terms of the external indicators, Orange County's economy continues to out-perform local surrounding counties, the state and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute growth rate dollars) than the economies of the majority of the world's countries. Internal indicators show a continued slow but steady recovery of the local economy.

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

According to Chapman University, Orange County's job growth is expected to increase by 2.6% in 2014 and result in approximately 37,342 new jobs relative to 2013. This compares to 2.6% for the State of California and 1.6% for the national level.

According to Chapman University, inflation, as measured by the Consumer Price Index (CPI) in 2014, is expected to be 1.4% for Orange County, slightly lower than for the State of California at 1.9% and for the U.S. at 1.7% (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	August 2014 Unemployment Rate
United States	6.3%
California	7.5%
Los Angeles County	8.7%
Riverside County	8.7%
San Bernardino County	8.7%
San Diego County	6.2%
Orange County	5.4%

Unemployment and Expected Job Growth Rates

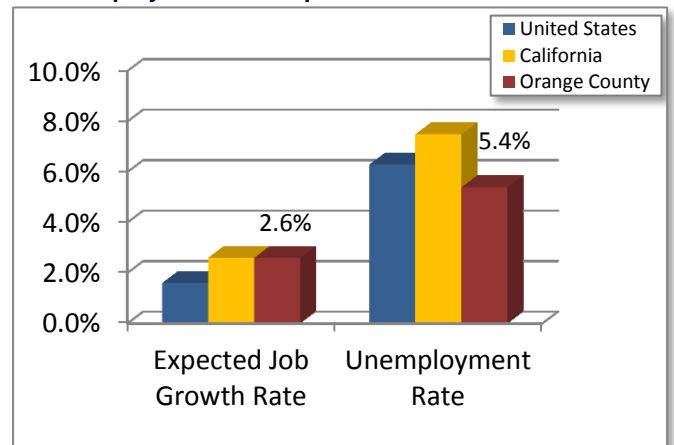


Table 2: 2014 – Projected Increase of the CPI

United States	California	Orange County
1.7%	1.9%	1.4%

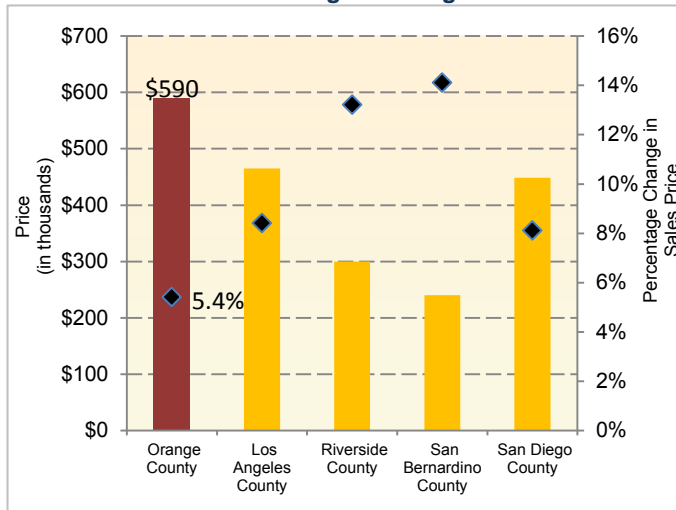
Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2014

According to the Department of Housing and Urban Development, Orange County's median family income is expected to be \$84,900 (absolute dollars) in 2014, compared to \$84,100 (absolute dollars) in 2013. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California and the nation (see Table 3).

According to DataQuick Information Systems, the median home sales price for new and existing homes in Orange County was \$590,000 (absolute dollars) in August 2014, representing a 5.4% increase relative to August 2013. 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 suggest that the Orange County economy will continue to gradually improve with 37,342 jobs added in 2014 and 43,096 in 2015.

Comparison of Median Home Sales Price and Price Changes Among Counties

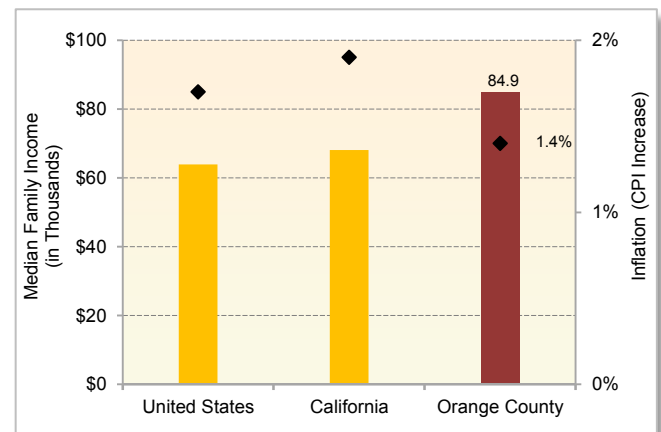


Sources: DataQuick Information Systems, September 2014

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$63,900
California	\$68,100
Orange County	\$84,900
San Diego County	\$72,700
Riverside County	\$60,700
Los Angeles County	\$60,600

Comparisons of Inflation and Median Family Income



Sources: Economic & Business Review, Chapman University, June 2014
U.S. Department of Housing and Urban Development, 2014

Table 4: Median Home Sales Price Comparison – Southern California Counties – August 2014

Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Orange County	5.4%	\$590,000
Los Angeles County	8.4%	\$465,000
San Diego County	8.1%	\$448,500
Riverside County	13.2%	\$300,000
San Bernardino County	14.1%	\$240,000

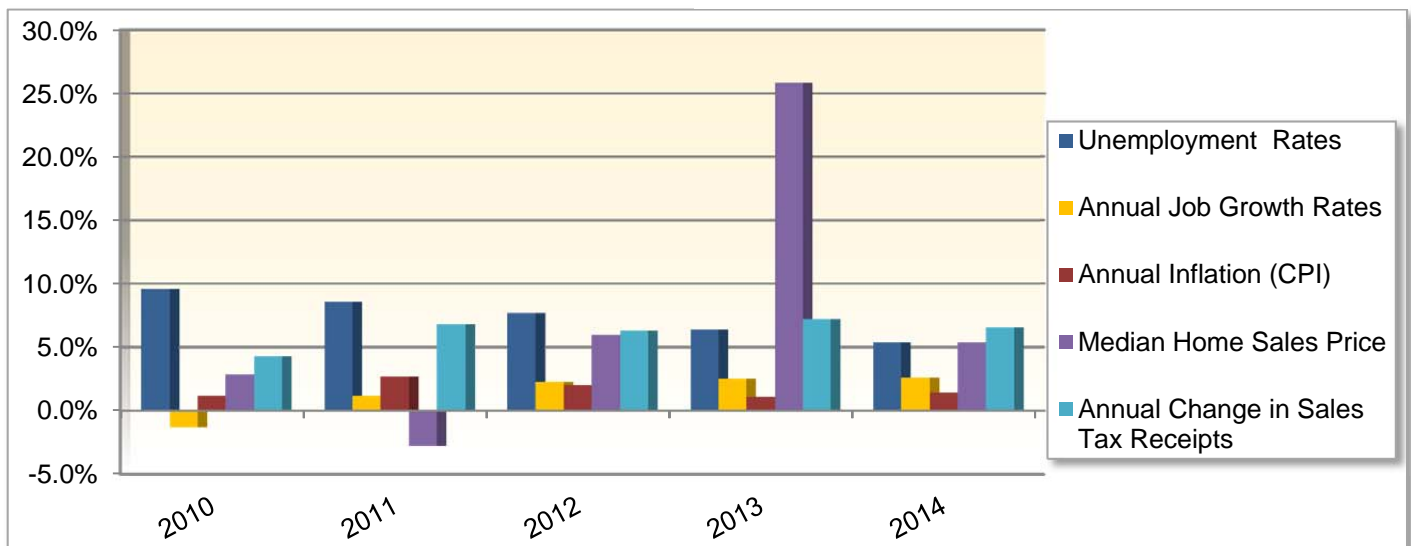
Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 5.4% in August 2014 relative to 6.2% in August 2013. Job growth is expected to increase slightly at 2.6% in 2014 compared to 2.5% in 2013. Median home prices increased by 5.4% in August 2014, relative to 25.8% in August 2013. The only economic indicator where this trend is not growing is in terms of expected sales tax receipts where a slight decrease to 6.6% is expected in 2014, as compared to 7.2% in 2013.

Table 5: Orange County Historical Data

Historical Indicators	2010	2011	2012	2013	2014
Unemployment Rates	9.6%	8.6%	7.7%	6.2%	5.4%
Annual Job Growth	(1.3 %)	1.2 %	2.3%	2.5%	2.6%
Annual CPI Inflation	1.2 %	2.7%	2.0%	1.1%	1.4%
Median Home Sales Price Increase	2.9%	(2.8%)	6.0%	25.8%	5.4%
Annual Change in Sales Tax Receipts	4.3 %	6.9%	6.3%	7.2%	6.6%

Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2014
DataQuick Information Systems, September 2014
Note: Unemployment rates are for the month of August.

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 2014
DataQuick Information Systems, September 2014

In summary, the economy in Orange County continues to show some signs of steady growth.

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 and capital 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 recommended to ensure the ability to pay for long-term operational costs.

The 2014 Strategic Financial Plan (SFP) was presented to the Board on December 9, 2014. The 2014 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary controls, via the quarterly budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue growth will be in the range of 3% for the first year of the plan with growth rates of averaging 3.4% in years two through five. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully manage programs and services levels.

The County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic recovery.

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 2014 SFP reflects a modest 3% increase in FY 2015-16 Net County Cost limits
- Continuation of the policy to not backfill State budget reductions
- Elimination of vacant positions
- 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 the beginning stages of planning for several other projects that will require long-term financial planning including the upgrade of the 800 MHz Countywide Coordinated Communications System, replacement of Central Utility Facility infrastructure, the Civic Center Master Plan, and development of the County property at the former Marine Corps Air Station El Toro in Irvine ("100 acres"). Development of the 100 acres and other various County-owned 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 2022.

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 and Contingencies. To learn more about the SARMP, visit the Orange County Flood Control Division's website at <http://www.ocflood.com>.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Capital Improvement Plan includes revitalization of Dana Point Harbor. The Revitalization Project is a multi-phased project with total costs estimated at \$140,000 pending final project design approvals, and an anticipated systematic long term repair and/or replacement project for the waterside as opposed to a total redesign and rebuild of the marinas. The initial phases of improvements are expected to be funded with a combination of external financing and funds on hand that have been reserved for the Harbor Improvement Plan. OC Dana Point Harbor and County Executive Office staff is expected to finalize the financial strategy for the complete Revitalization Plan concurrently with final Coastal Development Permit (CDP) issuance in early 2015.

James A. Musick Facility Expansion: On March 8, 2012, the State approved \$100,000 in funds for the County of Orange for expansion of the James A. Musick Facility Assembly Bill 900 (AB900). This project is currently in the design phase with construction estimated for completion in FY 2018-19. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past 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 FY 2016-17. Funds from alternative liquidity sources may be utilized to fund the up-front costs and returned within the required three-year period as reimbursements are received from the State.

On March 13, 2014, the State conditionally approved \$80,000 in funds for the County of Orange for further expansion of the James A. Musick Facility. This project is in the initial stages and will be completed after the AB900 project in FY 2019-20, but the financial requirements are consistent with those described above.

La Pata Avenue Gap Closure & Camino Del Rio Extension Project: The County of Orange has begun the construction of the La Pata Avenue Gap Closure Project (Project) that will widen La Pata Avenue and implement a gap closure between the cities of San Juan Capistrano and San Clemente. This is a cooperative project between the City of San Clemente, City of San Juan Capistrano, OC Waste & Recycling, and OC Public Works, with the County acting as the lead agency. The total Project cost is estimated at \$127,000 and is funded from State 1B, Measure M1 and M2, gas tax, developer agreement, and community facility district revenues. A construction contract for \$72,741 was awarded by the Board of Supervisors to Sukut Construction, Inc. on December 10, 2013 and a construction management contract for \$7,706 was awarded to Hill International, Inc. on February 4, 2014. The groundbreaking ceremony was held on April 4, 2014. The Notice to Proceed for the initial phase was issued on April 22, 2014 and has a tentative completion date in early summer of 2016. If the remaining two phases are executed within the first two years of the initial phase, all three phases are tentatively scheduled for completion in early spring of 2018.

Relevant Financial Policies

To achieve the goal of providing outstanding and cost-effective regional public services, the County of Orange 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 promotes financial soundness, efficiency in government and solvency in public finance.

General Fund Reserves Policy

The County of Orange 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 expenditure 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 set aside for Contingencies
- Fund Balance Assigned for Capital Projects
- Fund Balance Assigned for Operations (Strategic Plan)
- Reserve-like Funds
- Reserve-like Appropriations
- Department Type Reserves

All of the above are reserves normally modified at the time of budget adoption (Government Code Section 29085) or at fiscal year-end in accordance with GASB 54 requirements. 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 FY (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. Analysis of the average of two months of operating revenues for FY 2009-10 through FY 2012-13, as well as FY 2013-14 adopted budgeted revenues, yielded a funding target of approximately 17%.

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	
Multi-year SFP	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.
Five-Year Capital Improvement Plan	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.
Quarterly Budget Report	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.
Annual Budget Policies and Guidelines	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.
Fund Balance Reserve Policy	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.

Relevant Financial Policies (Continued)	
Contingency Planning Policy	<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 \$95,733. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The June 30, 2014 balance is \$61,300, approximately \$34,433 below the revised target.</p> <p>In addition to the reserve for contingencies, the County budgets an annual appropriation for contingencies of no less than \$5,000 in the General Fund, which may be used for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities.</p>
Debt Disclosure Practices	The County presents a set of disclosures in the County's adopted Budget document and the CAFR.
Pay-as-you-go Capital Funding	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.
Credit and Debt Management Policy	The County's long-term practice has been to rapidly repay debt when practicable. The County's Credit and Debt Management Policy states that one of its most important goals and objectives is to continue efficient debt reduction strategies through refunding, defeasance, or purchase and cancellation of bankruptcy related debt to lower the financial burden on the General Fund.
Public Financing Advisory Committee	The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, modification or denial of debt financing proposals. No 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 (non-voting), the elected Treasurer-Tax Collector, and the elected Auditor-Controller).
Audit Oversight Committee	The Audit Oversight Committee (AOC) is an advisory committee to the Board of Supervisors 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, and that discusses the adequacy of the County's internal control structure. The AOC membership consists of the following: the Chairman and Vice-Chairman of the Board, the elected Auditor-Controller, the County Executive Officer, the elected Treasurer-Tax Collector, the Performance Audit Director, and four public members from the private sector appointed by the Board. The public members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.

Relevant Financial Policies (Continued)	
Treasury Oversight Committee	<p>The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS) prepared by the Treasurer. In addition, the TOC causes an annual audit of the Treasurer's compliance with the IPS. The TOC shall also investigate any and all irregularities in the treasury operation, which become known to the TOC.</p> <p>Annually, the TOC reviews the Treasurer's IPS, including all proposed amendments or modifications to the policy. The Treasurer 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 or designee, the County Executive Officer or designee, the elected County Superintendent of Schools or designee, and four members of the public. The public members shall be nominated by the Treasurer and confirmed by the Board.</p>
24/7 Fraud Hotline	<p>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.</p>

Major Initiatives

Funding Equity: The County of Orange hovers at the bottom of funding for counties statewide, receiving the lowest percentage of property taxes in California to support services—about 6 cents on the dollar. The state average is 17 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 would affect other counties receiving more of their share of taxes, as well as schools, which have constitutional protections for state funding. The answer to assuring funding equity for Orange County, therefore, 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. Orange 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.

State Prison Realignment: In 2011, California ordered the realignment of certain state prisoners to serve their sentences in county jails instead of state prisons to comply with court-ordered overcrowding reductions. Orange County accounts for 8.1% of the state's population and 5.4% of the total prison population. Realignment (or AB 109 for the Assembly Bill that created the mandates) has placed a financial burden on the County. In FY 2013-14 the County spent \$4,700 more on realignment than it received in respective funding.

Realignment has led to multiple challenges, including the need for more in-custody housing options and bed space, additional case-management resources, inmate screening and medical/psychiatric programs. Felony caseloads have increased substantially with a corresponding increase in the need for additional court hearings and appearances. Among the County's priorities is to obtain full funding from the state for realignment costs.

Labor Agreements: Most County employees are represented by 16 bargaining units within seven labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents eight units totaling about 11,800 employees. The next largest unions are the Association of Orange County Deputy Sheriff's, at about 2,000 members; and about 1,350 eligibility workers are represented by the American Federation of State and Municipal Employees. All but three contracts have been successfully negotiated and County employees continue to work under their contract terms with no interruption.

AWARDS AND ACKNOWLEDGEMENTS

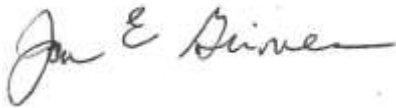
GFOA Awards: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its CAFR for the year ended June 30, 2013. This represents the County's 19th consecutive award. The Certificate of Achievement is the highest form of recognition for excellence 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 11th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2013. 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 <http://ac.ocgov.com/reports/pafr>.

Acknowledgments: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of MGO. 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 activity of the County of Orange.

Respectfully submitted,



Jan E. Grimes
Auditor-Controller



Frank Kim
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**County of Orange
California**

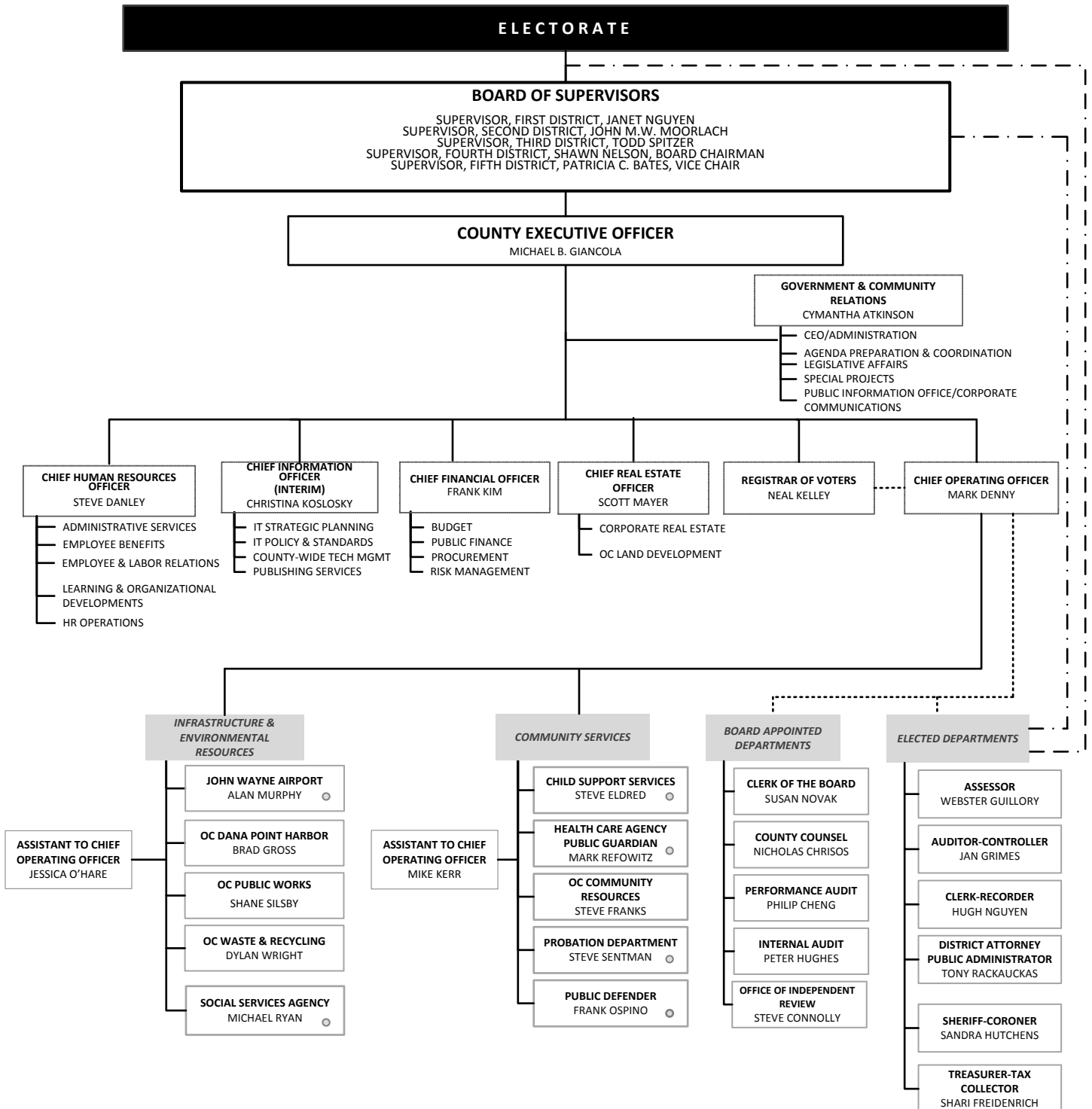
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

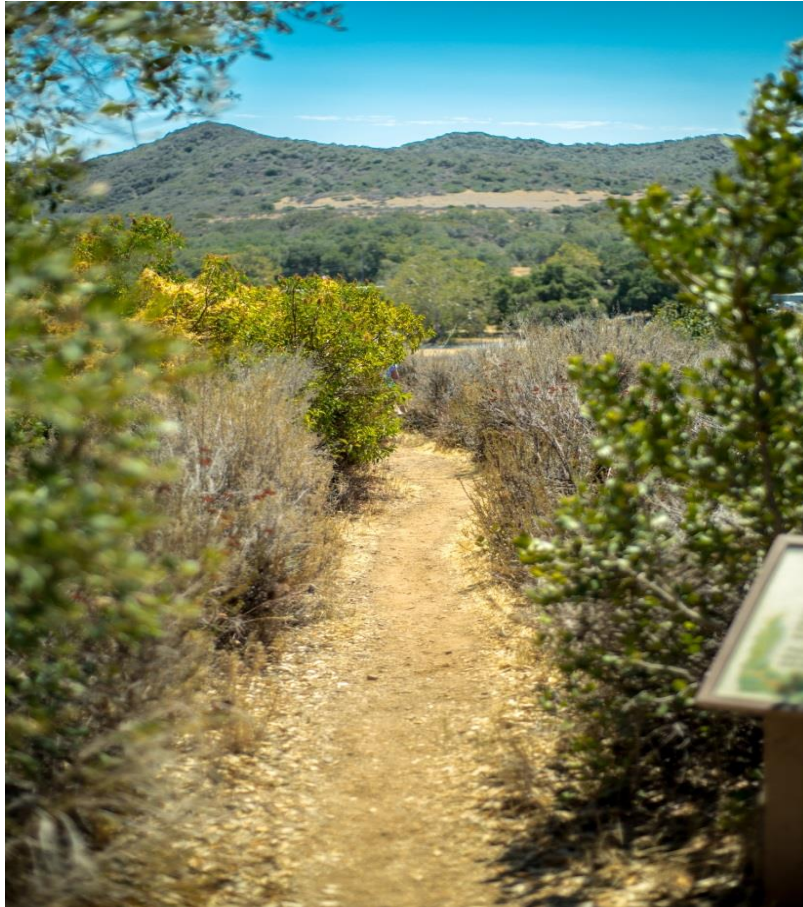
ORGANIZATIONAL CHART

(As of August 1, 2014)



LEGEND	
	DIRECT REPORT
	ADMINISTRATIVE COORDINATION AND BUDGET OVERSIGHT
	APPOINTED BY THE BOARD OF SUPERVISORS – REPORTS TO THE CHIEF OPERATING OFFICER
	ELECTED OFFICIALS: STATUTORILY – REQUIRED BOARD ADMINISTRATIVE AND BUDGET OVERSIGHT
	ELECTED BY THE PUBLIC





Ronald W. Caspers Wilderness Park





INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Supervisors
County of Orange, California

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, 2014, 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 Children and Families Commission of Orange County (CFCOC) and the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which collectively represent 100% percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CFCOC and CalOptima, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 reports 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Roads Fund, Flood Control District Fund, and Other Public Protection Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 1.Q and 2 to the basic financial statements, effective July 1, 2013, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

As discussed in Notes 1.Q and 18 to the basic financial statements, effective July 1, 2013, the County adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*.

Our opinions were not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the County's net pension liability and related ratios, schedule of investment returns, schedule of County contributions, and schedule of funding progress 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 funds financial statements and budgetary comparison schedules included in supplemental information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor funds 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.

Macias Gini & O'Connell LLP

Newport Beach, California
December 18, 2014



Ronald W. Caspers Wilderness Park



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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, 2014. 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 increased by \$282,096, or 5% as compared to last year.
- Long-term debt decreased by \$102,288 or 16% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of \$1,967,624, an increase of \$81,037, or 4% in comparison with the prior year.
- General Fund revenues and transfers ended the year 4% below budget.
- General Fund expenditures and other financing uses ended the year 7% 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

Basic Financial Statements			
Government-wide Financial Statements	Fund Financial Statements		
	Governmental Funds	Proprietary Funds	Fiduciary Funds
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 Statement	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 Cash Flows	Statement of Changes in Fiduciary Net Position
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, and liabilities, 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 and liabilities, both financial and capital, short-term and long-term	All assets, deferred outflows of resources, and deferred inflows of resources held in a trustee or agency capacity for others
Type of inflow and outflow 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 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 airport, waste management, and compressed natural gas.

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, and 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. A separate stand-alone annual financial report can be obtained for the CFCOC by accessing Orange County's website at the following address: <http://ac.ocgov.com/info/financial/>. A separate stand-alone annual financial report can be obtained for CalOptima by accessing the website at <http://wpsocdmhc.ca.gov/fe/search/#top>, and select the Health Plan "Orange County Health Authority" and Statement Type "Annual Audit Reports."

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 and capital lease obligations, 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. Information for nonmajor funds is presented in the aggregate in these statements. Individual fund data for each of the nonmajor governmental funds is presented elsewhere in this report. 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.

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, Waste Management, and Compressed Natural Gas. **Internal Service Funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing, and information technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds 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 Waste Management 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 funds financial statements with the individual fund data provided in combining statements, which can be found elsewhere in this report.

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 elsewhere in this report.

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, 2014, the County's combined net position (governmental and business-type activities) totaled \$5,450,577, an increase of 5% from FY 2012-13.

The largest component of the County's net position (60%) 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. 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

The County's **restricted** net position totals \$1,462,865 which represents 27% of its net position. Restricted net position 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

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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 final component of net position is **unrestricted net position**. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2014, governmental activities showed \$331,408 in unrestricted net position, compared to \$196,850 at June 30, 2013. A key element contributing to the change is a decrease in litigation and claims expense relating to Vehicle License Fee Adjustment Amount (VLFAA) settlement in the prior year.

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

NET POSITION – Primary Government June 30, 2014 and 2013						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013*	2014	2013*	2014	2013*
ASSETS						
Current and other assets	\$ 3,156,094	\$ 2,976,550	\$ 784,278	\$ 793,507	\$ 3,940,372	\$ 3,770,057
Capital assets	2,756,054	2,683,927	823,019	818,697	3,579,073	3,502,624
Total Assets	5,912,148	5,660,477	1,607,297	1,612,204	7,519,445	7,272,681
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charge on Refunding	9,622	--	--	--	9,622	--
Total Deferred Outflows of Resources	9,622	--	--	--	9,622	--
LIABILITIES						
Long-term liabilities	973,983	1,047,579	408,736	440,487	1,382,719	1,488,066
Other liabilities	622,850	527,190	72,921	86,111	695,771	613,301
Total Liabilities	1,596,833	1,574,769	481,657	526,598	2,078,490	2,101,367
NET POSITION						
Net Investment in Capital Assets	2,646,812	2,563,976	624,621	587,934	3,271,433	3,151,910
Restricted	1,346,717	1,324,882	116,148	162,550	1,462,865	1,487,432
Unrestricted	331,408	196,850	384,871	335,122	716,279	531,972
Total Net Position	\$ 4,324,937	\$ 4,085,708	\$ 1,125,640	\$ 1,085,606	\$ 5,450,577	\$ 5,171,314

* The balances shown in FY 2013 have not been restated to include adjustments in Note 2, Change in Accounting Principle

As of June 30, 2014, the County's total assets increased by 3% or \$246,764 during the current fiscal year. Current and other assets increased by 5% or \$170,315 primarily due to an increase in prepaid costs which was the result of higher prepaid contributions associated with the 2014 Pension Obligation bonds compared to the previous year. The increase in current and other assets was offset by a decrease in restricted cash and cash equivalents which was primarily the result of the early redemption of the Airport Revenue Refunding Bonds, Series 2003 as well as a decrease to the adjustment of book value to fair value for the Pension Obligation Debt service fund. Total capital assets, net increased by 2% or \$76,449 as a result of capitalizing projects such as the East Garden Grove Wintersburg Channel and Antonio Parkway Widening projects.

Total liabilities for FY 2013-14 decreased by 1% or \$22,877. Other liabilities increased by 13% or \$82,470, mostly due to an increase in accounts payable for the Medical Safety Net Program, which was the result of higher physician and hospital claiming expenditures, as well as an increase in accounts payable for the Cow Camp Road project. Offsetting the increase in other liabilities was a decrease in long-term liabilities of 7% or \$105,347. The decrease in long-term liabilities was primarily the result of the early redemption of the 2003 Airport Revenue Refunding Bonds, as well as semi-annual payments on the 2005A Refunding Recovery Bonds and Lease Revenue Bonds, Series 2006 which caused the principal balance to decrease. Offsetting the reduction in long-term liabilities was an increase in other liabilities due to the issuance of the Taxable Pension Obligation Bonds 2014 Series A Bonds. Refer to Note 10, Short-Term Obligations, and Note 11, Long-Term Obligations for further information regarding issuances of debt and debt retirement.

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

CHANGES IN NET POSITION – Primary Government
For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013*</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 535,382	\$ 511,922	\$ 261,857	\$ 240,202	\$ 797,239	\$ 752,124
Operating Grants and Contributions	2,033,550	1,904,858	900	200	2,034,450	1,905,058
Capital Grants and Contributions	54,478	62,893	5,277	3,839	59,755	66,732
General Revenues:						
Property Taxes	444,104	472,131	--	--	444,104	472,131
Property Taxes in Lieu of Motor Vehicle License Fees	295,798	309,745	--	--	295,798	309,745
Other Taxes	73,178	108,430	101	93	73,279	108,523
Grants and Contributions not Restricted to Specific Programs	14,192	6,711	--	--	14,192	6,711
State Allocation of Motor Vehicle License Fees	895	1,659	--	--	895	1,659
Other General Revenues	72,871	60,037	6,241	3,348	79,112	63,385
Total Revenues	3,524,448	3,438,386	274,376	247,682	3,798,824	3,686,068
EXPENSES						
General Government	131,026	221,110	--	--	131,026	221,110
Public Protection	1,261,984	1,264,354	--	--	1,261,984	1,264,354
Public Ways and Facilities	127,561	137,651	--	--	127,561	137,651
Health and Sanitation	626,063	621,381	--	--	626,063	621,381
Public Assistance	988,735	944,230	--	--	988,735	944,230
Education	41,240	38,548	--	--	41,240	38,548
Recreation and Cultural Services	96,820	101,232	--	--	96,820	101,232
Interest on Long-Term Debt	28,028	31,269	--	--	28,028	31,269
Airport	--	--	120,731	122,568	120,731	122,568
Waste Management	--	--	94,161	94,737	94,161	94,737
Compressed Natural Gas	--	--	379	305	379	305
Total Expenses	3,301,457	3,359,775	215,271	217,610	3,516,728	3,577,385
Excess before Transfers and Extraordinary Item	222,991	78,611	59,105	30,072	282,096	108,683
Transfers	17,557	10,276	(17,557)	(10,276)	--	--
Extraordinary gain	--	1,800	--	--	--	1,800
Change in Net Position	240,548	90,687	41,548	19,796	282,096	110,483
Net Position - Beginning of the Year, as Restated	4,084,389	3,995,021	1,084,092	1,065,810	5,168,481	5,060,831
Net Position - End of the Year	\$ 4,324,937	\$ 4,085,708	\$ 1,125,640	\$ 1,085,606	\$ 5,450,577	\$ 5,171,314

* The balances shown in FY 2013 have not been restated to include adjustments in Note 2, Change in Accounting Principle

As of June 30, 2014, the County's net position increased by \$282,096 during the current fiscal year. Revenues for the year totaled \$3,798,824, an increase of \$110,956 from prior year's total revenues and extraordinary gain. Expenses totaled \$3,516,728, a decrease of \$60,657 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 2013-14, total revenues for governmental activities, including transfers from the business-type activities, were \$3,542,005, an increase of \$91,543 from the previous year including prior year extraordinary gain. Expenses totaled \$3,301,457, a decrease of \$58,318 from the prior year. During the current fiscal year, net position for governmental activities increased by \$240,548 from the prior fiscal year after restatement for an ending balance of \$4,324,937. Key elements of the increase are as follows:

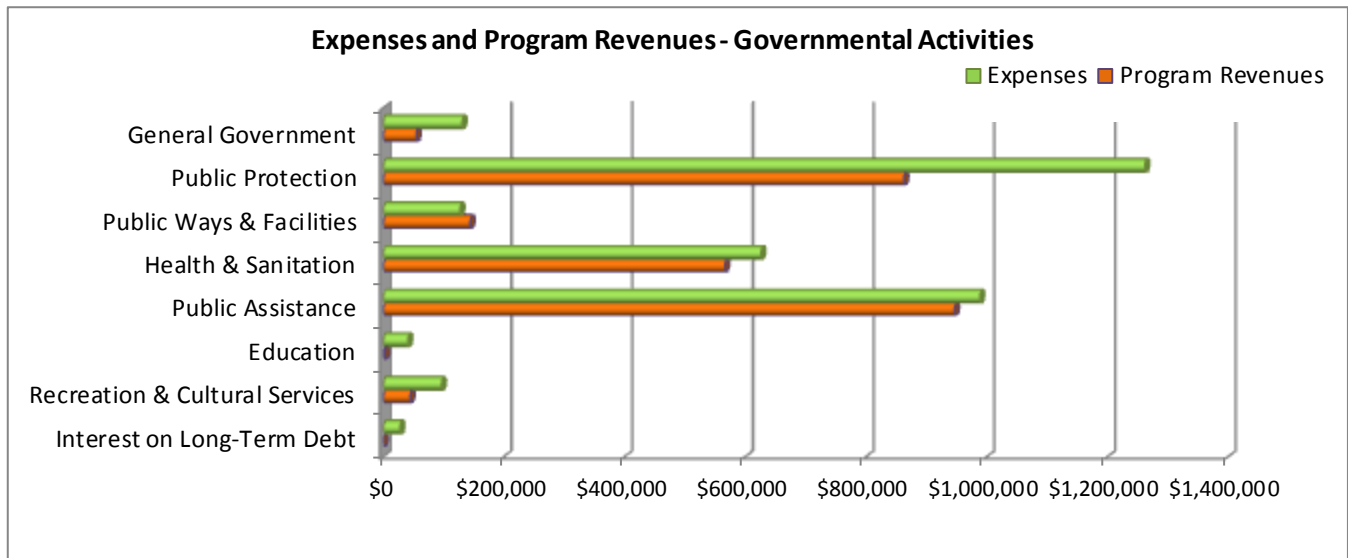
Revenues

- Operating grants and contributions increased by \$128,692, primarily due to a higher allocation of the Highway Users Tax and Proposition 172 Public Safety Sales Tax and an increase in State and Federal distribution of monies for various public assistance programs. Partially offsetting the increases in operating grants and contributions was a decrease in revenue from the Low Income Health Program (LIHP) and other medical services due to settlements and adjustments to distributions and program changes.
- Charges for services increased by \$23,460, due primarily to an increase in mental health services under Proposition 63 Mental Health Services Act (MHSA). In addition, revenues increased for law enforcement services due to amendments with various cities over increased costs in retirement rates and overtime usage, as well as an increase in Traffic School-Bail revenue due to a one-time adjustment made by Superior Court to implement audit findings of the Administrative Office of the Courts for the distribution of Traffic School base fines.
- Partially offsetting the general increases in revenue was a decrease of \$28,027 in property taxes primarily due to a reduction in secured property taxes as a result of State legislation.
- Other taxes had a decrease of \$35,252, primarily due to prior year one time revenues received and unanticipated allocations of redevelopment-related property tax revenues that did not occur in FY 2013-14. In addition, there were lower revenues from interest and penalties related to delinquent taxes.

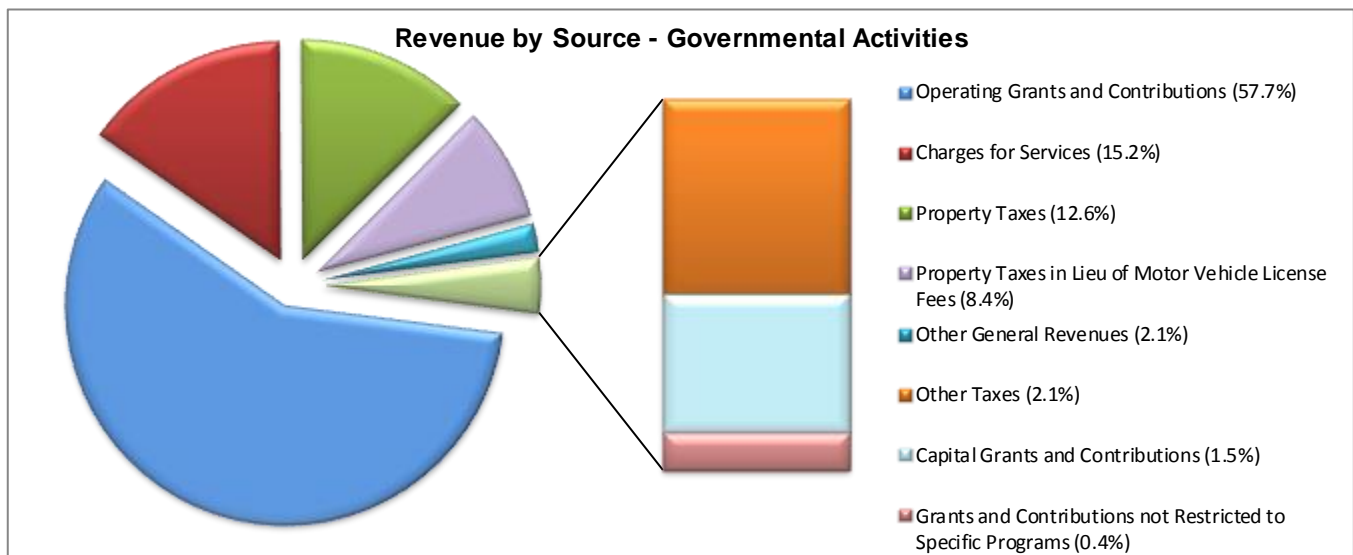
Expenses

- A decrease in general government expenses of \$90,084 was primarily due to a decrease in judgments and damages recorded for the payment of the VLFAA and the elimination of recording SB 90 mandated cost reimbursements as a bad debt expense in the preceding year compared to this year.
- Interest on long-term debt decreased by \$3,241 primarily due to lower interest payments for the 2005 Refunding Recovery Bonds and the Lease Revenue Bonds, Series 2006. Also, accreted interest costs were lower for the 1996A and 1997A Pension Obligation Bonds. Offsetting some of the decrease in interest on long-term debt was an increase of interest costs for the new issuance of the 2014 Taxable Pension Obligation Bonds.
- Partially offsetting the decrease in expenses was an increase in public assistance expenses of \$44,505, primarily resulting from the additional positions added to support new and ongoing demands for various social services programs. In addition, the increase in expenses was also attributable to renewing contracts with various providers for senior services.

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

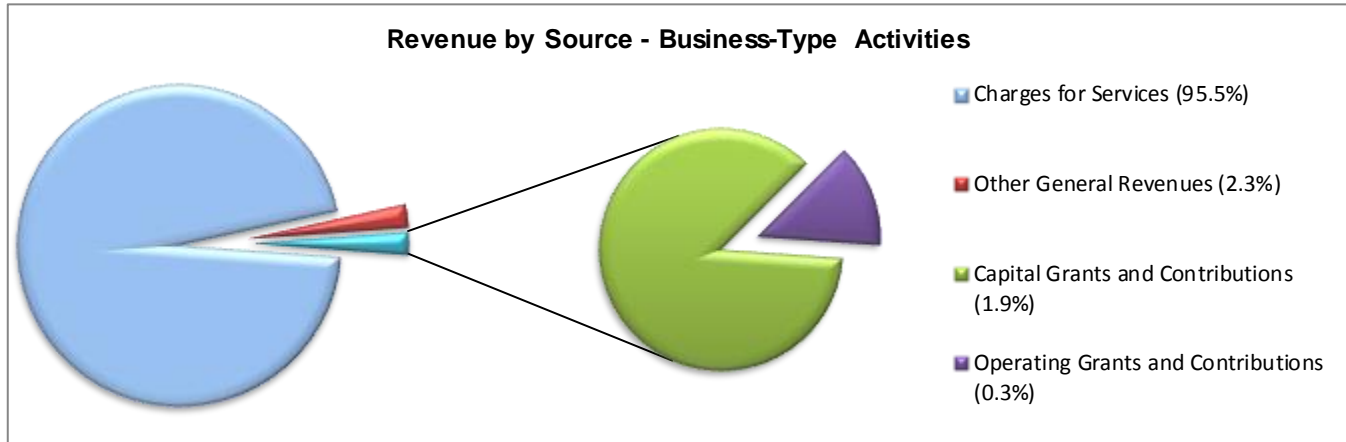


The chart below presents the percentage of total revenues by source for governmental activities:



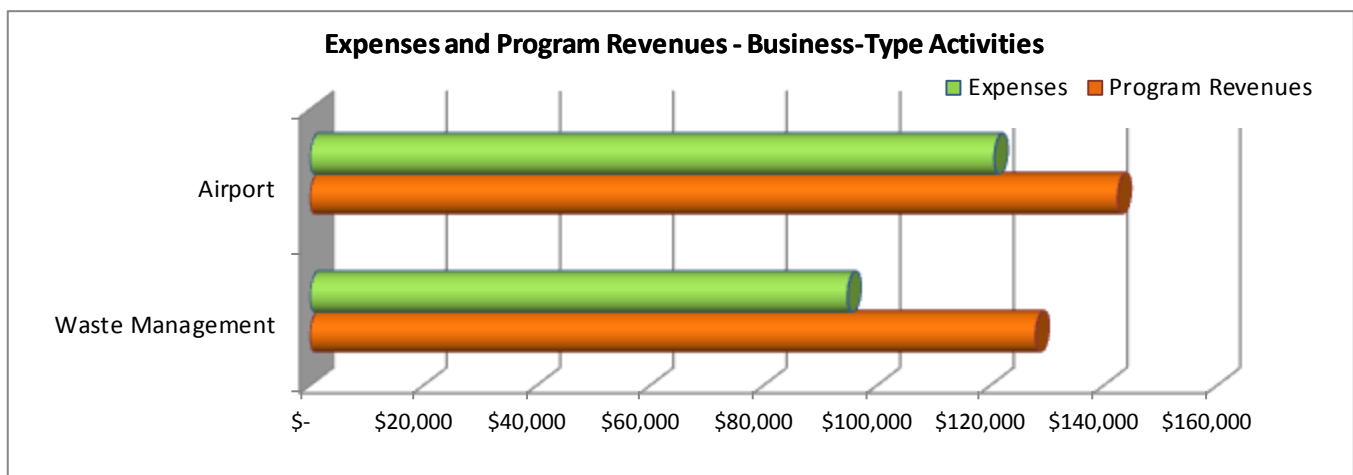
Business-Type Activities

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



At the end of FY 2013-14, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of \$41,548 in net position after restatement compared to the prior year's increase of \$19,796. Revenues totaled \$274,376, an increase of \$26,694 from the previous fiscal year, which is attributable to an increase in revenues received by the Airport for terminal space rent charged to the airlines and concession revenue received for new rental car and specialty concession lease agreements. Also, the increase in revenue was in part due to an increase to Waste Management's revenues from disposal tonnage and fees received from revenue-producing leases. Expenses, including transfers to governmental activities, totaled \$232,828, representing an increase of \$4,942 from the previous year. Total expenses for business-type activities had a slight decrease of \$2,339 which was the result of lower professional and specialized service costs and a slight decrease in depreciation and interest expense. 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 to 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 and current liabilities 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 County's Board of Supervisors (the Board) in order to achieve the established function of the respective funds.

At June 30, 2014, the County's governmental funds reported total fund balances of \$1,967,624 which is an increase of \$81,037 in comparison with prior year ending fund balance.

Comparative Analysis of Changes in Fund Balances

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

GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES						
For the Years Ended June 30, 2014 and 2013						
	Revenues and Other Financing Sources, and Extraordinary Gain		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Fund	\$ 2,879,856	\$ 2,865,893	\$ 2,808,016	\$ 2,744,670	\$ 71,840	\$ 121,223
Roads	109,937	59,444	107,694	80,652	2,243	(21,208)
Flood Control District	169,260	134,978	154,993	160,101	14,267	(25,123)
Other Public Protection	49,261	63,559	48,203	44,059	1,058	19,500
Teeter Plan Notes	50,786	73,641	43,959	15,808	6,827	57,833
Other Governmental	600,011	621,950	615,209	592,923	(15,198)	29,027
Total	\$ 3,859,111	\$ 3,819,465	\$ 3,778,074	\$ 3,638,213	\$ 81,037	\$ 181,252

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

General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2013-14, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balances of \$71,840, a lower increase compared to last year's increase in fund balances of \$121,223. Revenues and other financing sources increased by \$13,963 and expenditures and other financing uses increased by \$63,346 resulting in a net change in fund balances of \$49,383 from the prior year. The following is a brief summary of the primary factors, which contributed to the decrease in the net change in fund balances for the General Fund in FY 2013-14:

Revenues

- Intergovernmental revenues increased by \$41,700, which was comprised of 1) an increase in State and Federal allocations for various public assistance programs due to increased caseloads, 2) an increase in State allocations of the one-half cent Proposition 172 Public Safety Sales Tax funds, 3) an increase in the 2011 Public Safety Realignment (AB 109) revenue, which mandates that individuals sentenced to non-serious, non-violent crimes will serve their sentences in County jails instead of State prison, 4) an increase in Juvenile Offender Block grant and SB 678 Community Corrections Performance Incentive, offset by a decrease in Juvenile

Reentry Grant claims revenue, and 5) an increase in CalWORKs claim revenue from the State. The increase in intergovernmental revenue was partially offset by a decrease in LIHP and other medical services revenue due to timing of payments, adjustments to allocations and program changes.

- Charges for services increased by \$20,741, which was comprised of 1) an increase in mental health services reimbursements, 2) an increase in traffic school-bail revenue due to a one-time adjustment made by Superior Court to implement audit findings of the Administrative Office of the Courts for the distribution of traffic school base fines, and 3) an increase in law enforcement services charged to the City of Yorba Linda, Dana Point, and various other cities. Partially offsetting the increase in revenues was a decrease in U.S. Immigration and Custom Enforcement revenues.
- Transfers to the General Fund increased by \$18,366 due to an increase in claims submitted for the OC Tobacco Settlement Revenue (TSR) and MHSA resulting in increased transfers. There were also increases in transfers from the OCWR Bankruptcy Recovery Plan for imported waste revenue and the Clerk Recorder's special revenue fund for the reimbursement of eligible expenditures incurred. Partially offsetting the increase in revenue was a decrease in transfers for social services program claims and a decrease in the annual surplus transferred from the OC Public Financing Authority debt service fund.
- Tax revenue decreased by \$69,453, which was primarily due to a decrease in secured property taxes and property taxes in-lieu of vehicle license fees (VLF). The decrease was also due to one-time revenues related to the dissolution of the former redevelopment agencies received in FY 2012-13. Partially offsetting the decrease in tax revenues was an increase in growth of secured assessed values.

Expenditures

- Expenditures for the general government decreased by \$28,609, which was primarily attributable to a \$16,698 one-time payment made in FY 2012-13 to cities for property tax administration fees over collected between FY 2006-07 and FY 2011-12, as well as a \$10,000 reclassification of the County's portion of the employer retirement contribution from a miscellaneous revenue to a reduction of expenditures, since the County has prepaid the OCERS Annual Required Contribution (ARC).
- Expenditures for public protection increased by \$35,813 due to an increase in services and supplies (S&S) and salaries and employee benefits (S&EB) as a result of 1) an increase in CalWORKs cases, 2) an increase in the State funded disability and healthcare insurance fraud program, and 3) consolidation of the District Attorney and Public Administrator. There was also an increase in S&S costs for the Probation Department associated with the Adult Supervision Program and 2011 Public Safety Realignment (AB 109).
- Expenditures for public assistance increased by \$46,453 primarily due to increases in operational costs that resulted from additional positions needed for the Medi-Cal program which was expanded significantly under the Affordable Care Act (ACA), as well as the CalFresh program and In-Home Supportive Services which continue to experience growth. There were also increases in operational costs for the 2011 Public Safety Realignment (AB 109) and an increase in caseloads for General Relief.

Roads

This fund accounts for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. At the end of FY 2013-14, fund balance increased by \$2,243 compared to last year's decrease in fund balance of \$21,208. Revenues and other financing sources increased by \$50,493 primarily due to an increase in intergovernmental revenues \$36,793 for the receipt of highway user tax monies from the State. In addition, charges for services increased \$13,208 primarily due to an increase in revenue for fee credit relinquishments recorded throughout the year once various roadway projects were completed and a one-time reduction of fee credit revenue pertaining to bond proceeds for the South County Road Improvement Program (SCRIP) that occurred in FY 2012-13 but was not repeated in FY 2013-14. Partially offsetting the increase was a decrease in reimbursable construction expenditures since fewer projects were awarded which resulted in lower revenues from grant and road fee reimbursements. Expenditures increased by \$27,042 due to an increase of \$7,977 in public ways and facilities expenditures, which was attributable to an increase in professional services for progress/completion of several road projects including the La Pata Avenue Gap Closure project. Partially offsetting the increase in expenditures was a decrease in fee credit expenditures for the SCRIP program. Additionally, capital outlay expenditures increased \$19,065, due to construction for Moulton Parkway Widening and Midway City Street and Drainage improvement projects as well as capital projects for Cow Camp Road, Lincoln Avenue Bridge Widening over the Santa Ana River, and various other street improvements.

Flood Control District

This fund accounts 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 2013-14, there was an increase in fund balances of \$14,267 compared to last year's decrease in fund balances of \$25,123. Revenues and other financing sources increased by \$34,282 due mainly to an increase in intergovernmental revenues of \$58,542 from the Department of Water Resources for Santa Ana River Interceptor (SARI) Line project claims, partially offset by a decrease in long-term loan proceeds to finance the relocation of the SARI Line. Refer to Note 11 for detailed information regarding the SARI project and financing agreement. Expenditures and other financing uses decreased by \$5,108 primarily due to a decrease in capital outlay expenditures for construction costs relating to the SARI Line project, Prado Dam land acquisitions, and East Garden Grove Wintersburg Channel Improvements. Partially offsetting the decrease was an increase in expenditures for the Trabuco Creek Channel Levee Protection project and Los Alamitos Pump Station and Pump House project, as well as an increased repayment of SARI Line project loans to Orange County Sanitation District and Santa Ana Watershed Project Authority.

Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2013-14, there was an increase in fund balances of \$1,058 compared to last year's increase in fund balances of \$19,500. Revenues and other financing sources decreased by \$14,298, which was attributable to a decrease in forfeitures and penalties of \$10,027 in the District Attorney's Consumer Protection fund. There were less settlement collections in FY 2013-14 and increased reimbursements for the Gang Reduction Intervention Program (GRIP) which resulted in decreased revenues. Charges for services decreased \$2,167 due to lower public protection related recording fee revenues. Expenditures and other financing uses increased by \$4,144 due to transfers out of \$4,796 primarily from the Clerk Recorder's special revenue fund to reimburse eligible expenditures and capital outlays of \$1,364 for equipment purchases and system upgrades to the Cal-ID system and Clerk Recorder's Secure 3 system. In addition, there was an increase in expenditures for software upgrades for 800 MHz CCS and Clerk Recorder's Secure 3 system. Partially offsetting the increased expenditures was a decrease in S&EB and S&S expenditures for the Sheriff Narcotic Program and Motor Vehicle Theft Task Force.

Teeter Plan Notes

On July 16, 2013, the County issued long-term Teeter Plan Notes for \$39,639. At the end of FY 2013-14, fund balances increased by \$6,827 as compared to last year's increase in fund balances of \$57,833. Revenues and other financing sources decreased by \$22,855 primarily due to a decrease of \$18,296 in notes issued. Expenditures increased by \$28,151, which was caused by an increase in principal retirement of \$28,846 for the partial redemption of the Teeter Plan Notes offset by a decrease of \$781 in general government expenditures due to a decrease in debt issuance costs and lower fees due.

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 2013-14, fund balances decreased by \$15,198 in comparison to prior year's increase in fund balances of \$29,027. Revenues and other financing sources decreased by \$21,939 due to a decline in TSR revenues, a decrease in intergovernmental revenues for State allocations for the MHSA, and less construction projects in progress for the OC Public Libraries resulting in less revenue recognition from development deposits. Partially offsetting the decrease was an increase in revenues from the Department of Housing and Urban Development (HUD) and Housing Authority Payments (HAP). Expenditures and other financing uses increased by \$22,286, primarily due to: 1) reclassification of Community Facility District (CFD) funds to CFD debt service funds, 2) construction expenditures for the La Pata Avenue Gap Closure project, and 3) increase in transfers for Proposition 63 MHSA expenses, various health care programs, and operational costs for the Sheriff's Department. The increase in expenditures was partially offset by a decrease in transfers for wraparound services due to reduced spending on direct service contracts and 2005 Lease Revenue Refunding Bonds surplus due to a change in the reserve requirement, as well as a decrease in interest payments made.

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

COMPARATIVE FUND BALANCE Governmental Funds June 30, 2014 and 2013				
	2014	2013	Increase/(Decrease) %	
General Fund	\$ 516,386	\$ 444,546	16 %	
Roads	53,280	51,037	4 %	
Flood Control District	377,136	362,869	4 %	
Other Public Protection	145,861	144,803	1 %	
Teeter Plan Notes	61,644	54,817	12 %	
Other Governmental Funds	813,317	828,515	(2)%	
Total	\$ 1,967,624	\$ 1,886,587	4 %	

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 Waste Management 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 fund financial statements.

Comparative Analysis of Changes in Fund Net Position

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

ENTERPRISE FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS AND CHANGES IN FUND NET POSITION For the Years Ended June 30, 2014 and 2013						
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Position	
	2014	2013	2014	2013	2014	2013
Airport	\$ 143,766	\$ 138,236	\$ 121,514	\$ 122,210	\$ 22,252	\$ 16,026
Waste Management	130,025	108,841	111,380	104,701	18,645	4,140
Compressed Natural Gas	497	480	729	655	(232)	(175)
Total	\$ 274,288	\$ 247,557	\$ 233,623	\$ 227,566	\$ 40,665	\$ 19,991

Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at John Wayne Airport, Orange County (JWA). At the end of FY 2013-14, there was an increase in fund net position of \$22,252 compared to the prior year increase of \$16,026. Revenues and contributions increased by \$5,530 primarily due to an increase in terminal space rent charged to the airlines, concession revenue received for new rental car and specialty concession lease agreements, and reimbursement for federally funded construction projects. Expenses decreased by \$696 due to a decrease in depreciation and interest expenses, offset by increases in professional and specialized services and other services and supplies.

Waste Management

This fund is used to account for the operation, expansion, closing of existing landfills and the opening of new landfills. Monies are collected through gate tipping fees, which users pay based primarily on tonnage. At the end of FY 2013-14, there was an increase in fund net position of \$18,645 compared to the prior year increase of \$4,140. Revenues and transfers increased by \$21,184, which was primarily due to an increase in sanitation and landfill disposal fees collected for waste, recycling, and importation, as well as importation tonnage. Expenses and transfers increased by \$6,679 primarily due to host fees charged by the Cities where landfills are located to reimburse them

for additional noise, traffic, congestion, and use of roads associated with importation, as well as transfers to the General Fund for net imported waste revenue in support of the County Bankruptcy Recovery Plan. Offsetting the increase in expenses and transfers was a decrease in professional and specialized service costs and lower depreciation expense.

Compressed Natural Gas (CNG)

This fund was established in FY 2009-10 and accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public.

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 Amended Budget; and 2) the Final Amended Budget and the 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 Budgetary Comparison Statement for details on this budgetary comparison.

Original Revenue Budget vs. Final Amended Revenue Budget

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

Transfers In

- An increase of \$15,300 due to an agreement with OC Waste and Recycling (OCWR) for revenue received from imported trash deposited in the County landfills, which is used to help fund the 2005 Lease Revenue Refunding Bonds budget.
- An increase of \$13,148 in the Health Care Agency (HCA) primarily due to a transfer from the Orange County Tobacco Settlement Fund for health care initiatives.
- An increase of \$3,390 in the Clerk-Recorder primarily due to a transfer from the Clerk Recorder's special revenue fund for the reimbursement of eligible expenditures.
- An increase of \$2,778 in the Sheriff-Coroner primarily due to transfers from Proposition 69 – DNA Identification fund and Excess Public Safety Sales Tax fund to enhance DNA processing, purchase ballistic identification equipment, and upgrade the current reporting system to integrate and automate all existing processes.

Intergovernmental Revenue

- An increase of \$3,369 in the Probation Department for additional revenue received from Community Corrections Performance Incentive (SB 678) for costs associated with Probation's Adult Supervision program.
- An increase of \$11,049 in the Sheriff-Coroner for AB 109 realignment revenue received for the housing and associated expenses of inmates. As well as for various program revenue adjustments for grants and reimbursement agreements
- An increase of \$23,150 in the Social Services Agency (SSA) to align with FY 2013-14 State and Federal allocations for various programs including Medi-Cal, CalFresh, CalWORKs and CalWORKs Expanded Subsidized Employment program.
- An increase of \$4,447 in CalWORKs Family Group/Unemployed Parents primarily due to increases in CalWORKs caseload and grant costs.
- Partially offsetting the aforementioned increases in intergovernmental revenues was a decrease of \$4,972 in HCA for S&S appropriations and Health Realignment revenues due to Medi-Cal Expansion implementing legislation (AB 85) which redirects 1991 Health Realignment revenue to the State from implementation of the ACA.

Bond Issuance Proceeds

- An increase of \$347,000 due to the anticipated proceeds from the County's issuance of the Taxable Pension Obligation Bonds, 2014 Series A. Refer to Note 10 for information regarding the Taxable Pension Obligation Bonds, 2014 Series A.

Original Expenditure Budget vs. Final Amended Expenditure Budget

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

2005 Lease Revenue Refunding

- An increase of \$15,300 in appropriations for transfer out to the Plan of Adjustment Available Cash fund. Funds will be used to amortize bankruptcy related losses to County Administered Accounts in accordance with the Second Amended Modified Plan of Adjustment.

Prepaid Pension Obligation

- An increase of \$347,000 in appropriations for the retirement prepayments to OCERS for the County's FY 2014-15 employer contribution.

Sheriff-Coroner

- An increase of \$15,982 in appropriations primarily to offset overtime costs in the jails as a result of the implementation of AB 109, as well as to offset costs associated with providing law enforcement services, traffic safety, forensic science and homeland security.

Social Services Agency

- An increase of \$22,246 in appropriations to align with FY 2013-14 State and Federal allocations for Medi-Cal, CalWORKs and various other programs, as well as to add positions in anticipation of increased workload for support staff related to the implementation of the ACA.

Final Amended Revenue Budget vs. Actual Revenue Amounts

The following information provides a summary of the primary factors that caused the variance in the General Fund actual revenues compared to the final amended budget revenues:

Transfers In

- A \$6,440 negative variance in District Attorney mainly due to Excess Public Safety Sales Tax budgeted but not transferred in FY 2013-14.
- A \$3,654 negative variance in Child Support Services due to a reduction of transfers from the Child Support Program Development fund as a result of higher than anticipated vacancy rates thus lower budgeted salaries and benefits expenditures.
- A \$5,361 negative variance in Capital Projects due to a deferral in funding for a homeless shelter, which was not transferred to Capital Projects from the CEO Single Family Housing fund.
- A \$4,560 negative variance in the Data Systems Development Projects due to the deferral of the Property Tax Management System (PTMS) project, which was funded by an OCWR loan.
- A \$39,068 negative variance in HCA primarily due to a reduction in MHSA revenues because of delays in projects and start-up of contracted services, as well as a decrease in transfers from the OC Tobacco Settlement Funds.
- A \$5,538 negative variance in Sheriff-Coroner due to vacancies, expenditure reductions, delay in expenditures for Field Base Reporting (FBR) and unanticipated growth in Proposition 172 revenue which resulted in decreased transfers from Other Public Protection special revenue funds.
- A \$13,498 negative variance in SSA due to lower claims as a result of expenditure savings from a higher than anticipated vacancy rate and decreases in contract services spending in various programs, as well as the deferral of facility maintenance projects.
- A \$6,550 negative variance in Aid To Families with Dependent Children - Foster Care due to reduced spending in Wraparound direct services contracts and other Wraparound funded expenditures as a result of lower caseloads.
- A \$14,450 negative variance in the General Fund due to lower actual pay down of the Teeter Plan Notes than budgeted.

Intergovernmental Revenue

- A \$2,689 negative variance in OC Community Resources (OCCR) primarily due to lower expenditures and reimbursements for programs than anticipated.
- A \$2,469 negative variance in OC Watersheds due to lower reimbursable costs resulting from negotiations with the Regional Water Quality Control Board relating to Total Maximum Daily Loads (TMDL) postponements, vacant and leave of absence positions, additional cost savings in services and supplies, as well as deferred projects including the San Diego Creek Basin Dredging and Bacteria Reduction program at Baby Beach.
- A \$6,661 negative variance in HCA due to timing of payments, adjustments to allocations and program changes which decreased realignment and other program revenues. Offset by an increase in revenues for HCA's share of the Sheriff AB 109 reimbursement for bed days.
- A \$23,062 negative variance in SSA due to a higher than anticipated vacancy rate and delayed IT and facility projects, lower expenditures, and decreased contract spending and delayed projects.
- A \$587 negative variance in CalWORKs due to lower actual caseloads in FY 2013-14 due to shortened CalWORKs time limit from 60 months to 48 months which resulted in decreased revenues.
- A \$3,000 negative variance in Aid to Families with Dependent Children-Foster Care due to lower actual caseloads in FY 2013-14 which resulted in decreased revenues.
- Partially offsetting the overall negative variance in Intergovernmental Revenues were increases of:
 - \$3,323 in the Miscellaneous Agency due to an unanticipated SB 90 reimbursement from the State.
 - \$1,995 in Probation due to higher than budgeted revenue for Juvenile Probation Camp Funding (JPCF), Juvenile Justice Crime Prevention Act and Youthful Offender Block Grant, offset by lower than budgeted AB 109 revenues due to lower than budgeted expenditure claims.
 - \$4,795 in Sheriff-Coroner due to increases in State Proposition 172 Public Safety Sales Tax revenue and AB 109 revenue, and decreases in law enforcement services revenue due to higher than anticipated vacancies.

Bond Issuance Proceeds

- A \$21,595 negative variance in Prepaid Pension Obligation due to several County departments that had sufficient funds to prepay their pension contribution costs to OCERS and opted out of the financing.

Taxes

- A \$21,886 positive variance in the General Fund primarily due to an increase in Property Tax-Vehicle License Fees (VLF) compensation due to AB 701 and growth in assessed values, an increase in supplemental property taxes and an increase in other taxes. Offset by a decrease in secured property tax revenues due to AB 701 which repealed Revenue and Taxation code 97.80, decreasing secured property tax revenues.

Final Amended Expenditure Budget vs. Actual Expenditure Amounts

The following provides a summary of the primary factors causing the significant variance in the General Fund actual expenditures as compared to the final amended budget expenditures:

OC Community Resources

- A \$10,901 positive variance primarily from OC Community Services and OC Animal Care as a result of decreases in contract spending and other S&S expenditures, vacant positions and administrative services costs.

Prepaid Pension Obligation

- A \$22,127 positive variance primarily due to several County departments that had sufficient funds available to prepay their pension contribution costs to OCERS and opted out of the financing.

Capital Projects

- A \$12,191 positive variance is primarily due to the deferral of the OC Year-Round Emergency Shelter project and lower actual costs for various other projects.

Health Care Agency

- A \$56,190 positive variance primarily due to:
 - S&S savings primarily due to delays in receipt and pass-through LIHP payments, programs for MHSA in start-up, and use of one-time Tobacco Settlement revenues.
 - Lower S&EB due to lower than budgeted use of personal services contracts in start-up programs, delays in recruitments, savings in health insurance costs, and cost containment efforts due to reduced revenues.
 - Savings due to a delay in purchases for the electronic health records system.

Probation

- A \$10,949 positive variance primarily due to cost containment efforts by the department to maintain vacant positions and increased appropriations from unanticipated Community Corrections Performance Incentive (SB 678) revenue for contract services that were not fully expended.

Social Services Agency

- A \$38,536 positive variance due to decreased S&EB caused by higher than anticipated vacancy rates, decreases in contracted services and delayed IT and facility projects.

Capital Assets

At June 30, 2014, the County's capital assets for both the governmental and business-type activities amounted to \$3,579,073 net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, equipment, software, infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors), software in development, land use rights, and construction in progress. The total decrease in the County's investment in capital assets for the current year was 2.2%.

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

CAPITAL ASSETS (Net of Depreciation) June 30, 2014 and 2013							
	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Land	\$ 813,756	\$ 813,921	\$ 38,083	\$ 38,083	\$ 851,839	\$ 852,004	--
Structures and Improvements	604,987	611,464	533,683	523,715	1,138,670	1,135,179	0.3 %
Equipment	64,649	68,296	20,950	24,040	85,599	92,336	(7.3)%
Software	50,575	54,240	809	--	51,384	54,240	(5.3)%
Infrastructure	1,095,609	941,768	201,410	189,792	1,297,019	1,131,560	14.6 %
Software in Development	22,273	19,640	--	842	22,273	20,482	8.7 %
Land Use Rights	6,992	3,217	--	--	6,992	3,217	117.3 %
Construction in Progress	97,213	171,381	28,084	42,225	125,297	213,606	(41.3)%
Total	\$ 2,756,054	\$ 2,683,927	\$ 823,019	\$ 818,697	\$ 3,579,073	\$ 3,502,624	2.2 %

The following lists the significant expenditures for capital assets in FY 2013-14:

General Fund

- \$1,819 for the removal of a cooling tower and to upgrade the condensation piping at the Central Utility Facility (CUF)
- \$1,096 for the Information Services Bureau equipment purchases

Roads

- \$7,393 for the Midway City Phase III Drainage Improvements
- \$7,226 for the Moulton Parkway Widening Segment 3 Phase II – North of El Toro Road to North of Santa Maria
- \$5,580 for the Lincoln Avenue Bridge Widening at the Santa Ana River
- \$5,000 for the Cow Camp Road Project
- \$4,518 for the Edinger Avenue Bridge Widening at the Santa Ana River
- \$2,009 for the Cerritos Avenue Reconstruction and Sewer Modification
- \$1,220 for the Island Way Roadway and Bridge Rehabilitation Project
- \$1,023 for the La Colina Drive Pavement Rehabilitation

Flood Control District

- \$17,747 for the Edinger Storm Channel Improvement
- \$13,478 for the East Garden Grove Wintersburg Channel – Haster Basin Phase II
- \$10,577 for the Trabuco Creek Channel Phase 7 Project
- \$10,421 for the Los Alamitos Pump Station Project
- \$4,725 for the Santa Ana River Interceptor Line (SARI) Project

Other Governmental Funds

- \$4,668 for the purchase of law enforcement vehicles
- \$3,170 for the upgrade of seven historic buildings at Irvine Ranch Historic Park
- \$2,220 for the construction of an expanded archery range at Mile Square Park
- \$2,102 for the acquisition of Silverado School property for park and library services
- \$2,010 for major utility upgrades at Irvine Ranch Historic Park
- \$1,943 for the Automated Biometric Identification Milestone 2
- \$1,415 for the renovation of the James A. Musick Facility East Kitchen
- \$1,361 for the renovation of the former County Communications Building located at the Theo Lacy Facility for Immigrations and Customs Enforcement (ICE) staff

Airport

- \$8,256 for the construction of a new maintenance building on the east side of the airport
- \$4,766 for the Perimeter Road Reconstruction Phase 2 Project

Additional information on the County's capital assets can be found in Note 5, Changes in Capital Assets.

Commitments for Capital Expenditures

At the end of FY 2013-14, significant commitments for capital expenditures included the following:

- \$15,474 for the Newland Storm Channel Confluence to Bolsa
- \$10,133 for the Frank R. Bowerman East Flank Excavation and Drainage Improvement and Design
- \$6,051 for the Santa Ana River Interceptor Line Project
- \$4,535 for the Trabuco Creek Channel Phase 7
- \$4,137 for the enhancements of the baggage handling system in Terminals A and B
- \$3,726 for the Los Alamitos Pump Station: new pump and pump house
- \$3,320 for the Cow Camp Road project
- \$3,195 for the upgrade of seven historic buildings in Irvine Ranch Historic Park

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

Long-Term Debt

At June 30, 2014, the County had total debt obligations outstanding of \$543,753 excluding capital lease obligations, compensated absences and other liabilities. During the year, the County's outstanding bond obligations decreased by 16%, which is attributable to the retirement of \$149,692 of bond obligations, including \$36,540 of bankruptcy related debt, partially offset by the addition of \$39,639 of Teeter Plan Notes.

The County is limited by law in issuing general obligation bonded debt to 1.25 percent of the last equalized assessment property tax roll. 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.

The following table summarizes the County's outstanding bonds at June 30, 2014. For FY 2012-13, the beginning balance of the long-term liabilities has been restated to remove the deferred amount on refunding due to the implementation of GASB Statement No. 65.

LONG-TERM DEBT BOND OBLIGATIONS							
June 30, 2014 and 2013							
	Governmental Activities		Business-Type Activities		Total		(Decrease)
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue Bonds	\$ 125,660	\$ 153,455	\$ 211,269	\$ 248,762	\$ 336,929	\$ 402,217	(16)%
Certificates of Participation	2,262	2,822	--	--	2,262	2,822	(20)%
Pension Obligation Bonds	32,193	37,925	--	--	32,193	37,925	(15)%
Recovery Bonds	17,556	34,271	--	--	17,556	34,271	(49)%
Teeter Plan Notes	39,830	43,486	--	--	39,830	43,486	(8)%
Add: Premium/(Discount) on Bonds Payable	13,071	16,438	(1,465)	(1,202)	11,606	15,236	(24)%
Add: Interest Accretion on CABs	103,377	110,084	--	--	103,377	110,084	(6)%
Total	\$ 333,949	\$ 398,481	\$ 209,804	\$ 247,560	\$ 543,753	\$ 646,041	(16)%

The following summarizes the County's long-term debt issuance during FY 2013-14:

Teeter Plan Notes On July 16, 2013, the County issued an additional \$39,639 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$83,125. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

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

Bond Ratings

The County maintained its issuer ratings of Aa1 from Moody's Investors Service and currently Fitch Ratings does not provide issuer ratings. In FY 2013-14, the following change occurred in the County's underlying debt:

On December 24, 2013, Standard & Poor's Rating Services (S&P) raised its issuer credit rating for the County of Orange to AA from AA-. S&P also raised its long-term rating and underlying rating on the County's 2005 Lease Revenue Refunding Bonds, 2006 Lease Revenue Refunding Bonds, 2005 Refunding Recovery Bonds, and Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 to AA- from A+.

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

LONG-TERM DEBT RATINGS			
June 30, 2014			
	Standard & Poor's	Moody's	Fitch
2005A Refunding Recovery Bonds	AA-	Aa2	AA
2005 Lease Revenue Bonds	AA-	Aa3	AA
1991 Parking COPs	NR	Aa3	NR
2006 Lease Revenue Bonds	AA-	Aa3	AA
2012 Lease Revenue Bonds	AA-	Aa3	NR
Teeter Plan Notes	NR	NR	NR
1996A Pension Obligation Bonds	NR	Aa1	AA
1997A Pension Obligation Bonds	NR	Aa1	AA
Airport 2009A Revenue Bonds	AA-	Aa3	AA-
Airport 2009B Revenue Bonds	AA-	Aa3	AA-

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

Orange County Vehicle License Fees (VLF)

On June 30, 2011, the Governor signed SB 89, which redirected Orange 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 Orange County Auditor-Controller to calculate Orange 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. The first payment of \$5,000 will be paid to the State in FY 2014-15.

Long-Term Financial Planning

Property Tax Management System Upgrade

The County's property tax assessment, collection and allocation system processes property taxes and special assessments for the county, cities, school districts and special districts within the County. The current system was developed in the late 1980's in a now obsolete programming language. Maintenance of the system requires specialized knowledge that is hard to obtain. Under direction from the Board to rewrite the system and to respond to the Grand Jury's recommendation to replace the mainframe with an open system platform, the Auditor-Controller, Clerk of the Board, and Treasurer-Tax Collector embarked on a multi-year phased implementation of the new Property Tax Management System (PTMS).

In January 2006, a contract was awarded to Sierra Systems to conduct a needs assessment and to document the requirements of the new PTMS. This project also included documenting the business rules, identifying areas for improvement, and creating a blueprint for implementation. The needs assessment project was completed in July 2007.

On July 15, 2008, the Board approved a contract with Tata Consultancy Services (TCS) to develop and implement the new PTMS based on the required specifications documented during the needs assessment. In May 2010, a few modules went live initially. But out of twenty-seven (27) modules that were required, only two minor modules remain in partial operation. Additional software development was performed during FY 2011-12 and FY 2012-13; however, as of January 9, 2013, the TCS contract expired and the project was placed on hold.

Information Technology Managed Services Contracts

The County of Orange had been providing IT services to its Agencies/Department through a staff augmentation model contract for over 12 years. Starting in 2011, the County conducted competitive bids for IT sourcing managed services contracts for two Scopes of Work: Scope 1 included Data Center Services, Service Desk, Desktop Support, and Applications Services. Scope 2 included implementation of a Countywide converged Data Network and VoIP solution and ongoing support.

On May 14, 2013, the Board of Supervisors approved a five-year IT managed services contract with SAIC for Scope 1 services. On September 10, 2013, the Board approved a five-year contract with Xerox for Scope 2 services.

The IT managed service model provides the County with enhanced IT services, standardized service delivery, and predictable costs.

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 (actuarial 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% as of December 31, 2012. As of December 31, 2013, the funded ratio was 65.99%. The decline in funding status is caused by multiple factors, including OCERS market losses of 20.71% in 2008, changes in actuarial assumptions, changes in methodology, and enhancement of retirement benefits.

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 will be phased in over a two-year period beginning July 2014 at 7.5% and further reducing to 7.25% effective July 2015. The assumed rate of return reduction will have the impact of increasing contribution rates of members and plan sponsors.

Actuarial Funding Policy (Amortization)

On June 17, 2013, the OCERS Board voted to reduce the amortization period for future Unfunded Actuarial Accrued Liability (UAAL) from 30 years to 25 years. This will allow for future UAAL to be paid off in a shorter period of time.

Requests for Information

We hope that the preceding information provided 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, 12 Civic Center Plaza, Santa Ana, CA 92702 or you can access our website at <http://ac.ocgov.com>.





Ronald W. Caspers Wilderness Park



County of Orange
Comprehensive Annual Financial Report
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
ASSETS					
Cash and Cash Equivalents (Notes 1 and 4)	\$ 1,854,709	\$ 514,145	\$ 2,368,854	\$ 57,502	\$ 55,012
Restricted Cash and Cash Equivalents (Notes 1 and 4)	196,780	188,252	385,032	--	300
Investments (Notes 1 and 4)	14,809	21,802	36,611	--	407,234
Deposits In-Lieu of Cash	35	43,948	43,983	--	--
Internal Balances	14,848	(14,848)	--	--	--
Due from Component Unit (Note 7)	455	--	455	--	--
Prepaid Costs (Notes 1 and 18)	450,309	7,705	458,014	282	40,354
Inventory of Materials and Supplies (Note 1)	2,120	--	2,120	--	--
Land and Improvements Held for Resale (Note 1)	145	--	145	--	--
Receivables, Net of Allowances (Note 6)					
Accounts	16,155	15,981	32,136	--	479,389
Taxes (Note 1)	44,897	--	44,897	4,820	--
Interest/Dividends	1,719	663	2,382	19	--
Deposits	5,260	100	5,360	10,500	--
Advances	30	--	30	--	--
Due from Other Governmental Agencies, Net (Note 6)	474,998	6,530	481,528	3,394	--
Notes Receivable, Net (Note 6)	28,747	--	28,747	--	--
Net Pension Asset (Note 18)	1,349	--	1,349	--	--
Net Other Postemployment Benefits (Note 19)	48,729	--	48,729	--	--
Capital Assets (Notes 1 and 5)					
Not Depreciable/Amortizable	940,234	66,167	1,006,401	--	7,707
Depreciable/Amortizable, Net	1,815,820	756,852	2,572,672	--	43,816
Total Capital Assets	2,756,054	823,019	3,579,073	--	51,523
Total Assets	5,912,148	1,607,297	7,519,445	76,517	1,033,812
DEFERRED OUTFLOWS OF RESOURCES (Note 1)					
Deferred Charge on Refunding	9,622	--	9,622	--	--
Total Deferred Outflows of Resources	9,622	--	9,622	--	--

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

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
LIABILITIES					
Accounts Payable	\$ 102,403	\$ 11,768	\$ 114,171	\$ 4,874	\$ 81,895
Salaries and Employee Benefits Payable	61,705	1,480	63,185	57	8,102
Retainage Payable	10,185	1,129	11,314	2,090	--
Interest Payable	3,487	5,354	8,841	--	--
Deposits from Others	35,877	45,656	81,533	--	--
Due to Primary Government (Note 7)	--	--	--	455	--
Due to Other Governmental Agencies	42,591	3,456	46,047	4,246	85,304
Unearned Revenue (Note 1)	41,197	4,078	45,275	--	21,086
Short-Term Bonds Payable (Note 10)	325,405	--	325,405	--	--
Long-Term Liabilities					
Due Within One Year					
SARI Line Loans (Note 11)	11,133	--	11,133	--	--
Estimated Liability - Litigation and Claims (Note 15)	6,129	--	6,129	--	--
Interest Accretion on Capital Appreciation Bonds Payable (Note 11)	17,484	--	17,484	--	--
Insurance Claims Payable (Notes 1 and 16)	51,498	--	51,498	--	--
Medical Claims Payable	--	--	--	--	317,163
Capitation and Withholds	--	--	--	--	92,152
Compensated Employee Absences Payable (Notes 1 and 11)	88,558	2,388	90,946	75	--
Capital Lease Obligations Payable (Notes 11 and 13)	4,013	--	4,013	--	--
Bonds Payable (Note 11)	55,891	7,268	63,159	--	--
Net Other Postemployment Benefit Obligation	--	--	--	--	24,800
Pollution Remediation Obligation (Notes 11 and 17)	--	559	559	--	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	1,674	1,674	--	--
Due in More than One Year					
SARI Line Loans (Note 11)	36,277	--	36,277	--	--
Estimated Liability - Litigation and Claims (Note 15)	145,000	--	145,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable (Note 11)	85,893	--	85,893	--	--
Insurance Claims Payable (Notes 1 and 16)	151,601	--	151,601	--	--
Compensated Employee Absences Payable (Notes 1 and 11)	86,427	2,695	89,122	29	--
Arbitrage Rebate Payable (Note 11)	655	--	655	--	--
Capital Lease Obligations Payable (Notes 11 and 13)	58,433	--	58,433	--	--
Notes Payable (Note 11)	39,830	--	39,830	--	--
Bonds Payable (Note 11)	134,851	202,536	337,387	--	--
Pollution Remediation Obligation (Notes 11 and 17)	--	13,179	13,179	--	--
Capital Asset Obligation	310	--	310	--	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	178,437	178,437	--	--
Total Liabilities	1,596,833	481,657	2,078,490	11,826	630,502
NET POSITION					
Net Investment in Capital Assets (Note 1)	2,646,812	624,621	3,271,433	--	51,523
Restricted for (Note 1):					
Expendable					
Pension Benefits	109,986	--	109,986	--	--
Capital Projects	8,661	--	8,661	--	--
Debt Service	37,639	7,090	44,729	--	--
Legally Segregated for Grants and Other Purposes	1,190,106	--	1,190,106	--	--
Regional Park Endowment	140	--	140	--	--
Children and Families Commission of Orange County (CFCOC)	--	--	--	--	--
CalOptima	--	--	--	--	53,729
Passenger Facility Charges Approved Capital Projects	--	62,522	62,522	--	--
Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	37,412	37,412	--	--
Landfill Corrective Action	--	7,141	7,141	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	185	--	185	--	--
Unrestricted (Note 1)	331,408	384,871	716,279	64,691	298,058
Total Net Position	\$ 4,324,937	\$ 1,125,640	\$ 5,450,577	\$ 64,691	\$ 403,310

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

Functions/Programs	Net Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 187,154	\$ (56,128)	\$ 32,016	\$ 23,012	\$ --
Public Protection	1,227,052	34,932	273,215	552,519	37,274
Public Ways and Facilities	129,653	(2,092)	53,071	78,483	12,775
Health and Sanitation	618,793	7,270	93,470	472,755	--
Public Assistance	978,097	10,638	42,300	904,537	--
Education	40,175	1,065	2,059	227	683
Recreation and Cultural Services	94,536	2,284	39,251	2,017	3,746
Interest on Long-Term Debt	28,028	--	--	--	--
Total Governmental Activities	3,303,488	(2,031)	535,382	2,033,550	54,478
Business-Type Activities					
Airport	119,742	989	136,359	869	5,277
Waste Management	93,131	1,030	125,106	31	--
Compressed Natural Gas	367	12	392	--	--
Total Business-Type Activities	213,240	2,031	261,857	900	5,277
Total Primary Government	\$ 3,516,728	\$ --	\$ 797,239	\$ 2,034,450	\$ 59,755
Component Units					
Children and Families					
Commission of Orange County	\$ 38,420	\$ --	\$ --	\$ 30,294	\$ --
CalOptima	1,823,400	--	2,004,017	2,089	--
Total Component Units	\$ 1,861,820	\$ --	\$ 2,004,017	\$ 32,383	\$ --

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 (Note 9)
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning of Year, as Restated (Note 2)
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					
\$ (75,998)	\$ --	\$ (75,998)	\$ --	\$ --	General Government
(398,976)	--	(398,976)	--	--	Public Protection
16,768	--	16,768	--	--	Public Ways and Facilities
(59,838)	--	(59,838)	--	--	Health and Sanitation
(41,898)	--	(41,898)	--	--	Public Assistance
(38,271)	--	(38,271)	--	--	Education
(51,806)	--	(51,806)	--	--	Recreation and Cultural Services
(28,028)	--	(28,028)	--	--	Interest on Long-Term Debt
(678,047)	--	(678,047)	--	--	Total Governmental Activities
Business-Type Activities					
--	21,774	21,774	--	--	Airport
--	30,976	30,976	--	--	Waste Management
--	13	13	--	--	Compressed Natural Gas
--	52,763	52,763	--	--	Total Business-Type Activities
(678,047)	52,763	(625,284)	--	--	Total Primary Government
Component Units					
Children and Families					
Commission or Orange County					
CalOptima					
Total Component Units					
(8,126) -					
- 182,706					
\$ (8,126) \$ 182,706					
General Revenues					
Taxes					
277,591	--	277,591	--	--	Property Taxes, Levied for General Fund
72,737	--	72,737	--	--	Property Taxes, Levied for Flood Control District
54,042	--	54,042	--	--	Property Taxes, Levied for OC Parks
39,734	--	39,734	--	--	Property Taxes, Levied for OC Public Libraries
295,798	--	295,798	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
73,178	101	73,279	--	--	Other Taxes
14,192	--	14,192	--	--	Grants and Contributions Not Restricted to Specific Programs
895	--	895	--	--	State Allocation of Motor Vehicle License Fees
18,459	3,064	21,523	349	--	Unrestricted Investment Earnings
54,412	3,177	57,589	57	8,672	Miscellaneous
17,557	(17,557)	--	--	--	Transfers (Note 9)
918,595	(11,215)	907,380	406	8,672	Total General Revenues and Transfers
240,548	41,548	282,096	(7,720)	191,378	Change in Net Position
4,084,389	1,084,092	5,168,481	72,411	211,932	Net Position - Beginning of Year, as Restated (Note 2)
\$ 4,324,937	\$ 1,125,640	\$ 5,450,577	\$ 64,691	\$ 403,310	Net Position - End of Year

County of Orange
Comprehensive Annual Financial Report
June 30, 2014

	General Fund	Roads	Flood Control District
<u>ASSETS</u>			
Pooled Cash/Investments (Notes 1 and 4)	\$ 425,057	\$ 79,827	\$ 383,921
Imprest Cash Funds (Note 4)	1,864	--	--
Restricted Cash and Investments with Trustee (Notes 1 and 4)	1,536	--	--
Investments (Notes 1 and 4)	--	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables (Note 6)			
Accounts	18,909	520	375
Taxes (Note 1)	11,900	--	1,543
Interest/Dividends	533	56	341
Deposits	492	79	2,576
Advances	30	--	--
Allowance for Uncollectible Receivables	(4,399)	(21)	(1,994)
Due from Other Funds (Note 7)	63,956	3,557	889
Due from Component Unit (Note 7)	455	--	--
Due from Other Governmental Agencies, Net (Note 6)	350,784	24,851	73,978
Inventory of Materials and Supplies (Note 1)	902	--	331
Prepaid Costs (Note 1)	316,320	4,003	4,433
Land and Improvements Held for Resale (Note 1)	--	--	--
Advances to Other Funds (Note 7)	3,800	--	--
Notes Receivable, Net (Note 6)	--	--	--
Total Assets	<u>\$ 1,192,139</u>	<u>\$ 112,872</u>	<u>\$ 466,393</u>

LIABILITIES

Accounts Payable	\$ 65,154	\$ 8,483	\$ 3,088
Retainage Payable	2,044	1,680	5,145
Salaries and Employee Benefits Payable	57,182	748	840
Interest Payable	1,135	--	--
Deposits from Others	1,553	11,090	4,996
Due to Other Funds (Note 7)	35,780	6,259	9,583
Due to Other Governmental Agencies	27,847	1,712	1,363
Estimated Litigation and Claims (Note 15)	--	564	565
Unearned Revenue (Note 1)	19,410	17,210	558
Bonds Payable (Note 10)	325,405	--	--
Advances from Other Funds (Note 7)	3,134	--	--
Total Liabilities	<u>538,644</u>	<u>47,746</u>	<u>26,138</u>

DEFERRED INFLOWS OF RESOURCES (Note 1)

Unavailable Revenue - Intergovernmental Revenues	73,769	11,497	62,468
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net	47,926	--	--
Unavailable Revenue - Property Taxes	9,485	--	651
Unavailable Revenue - Long-Term Notes Receivables	--	--	--
Unavailable Revenue - Others	5,929	349	--
Total Deferred Inflows of Resources	<u>137,109</u>	<u>11,846</u>	<u>63,119</u>

FUND BALANCES (Note 1)

Nonspendable	321,022	4,003	4,764
Restricted	42,028	49,277	372,372
Assigned	153,336	--	--
Total Fund Balances	<u>516,386</u>	<u>53,280</u>	<u>377,136</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 1,192,139</u>	 <u>\$ 112,872</u>	 <u>\$ 466,393</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)

Other Public Protection	Teeter Plan Notes	Other Governmental Funds	Total Governmental Funds	
\$ 166,551	\$ 32,244	\$ 583,007	\$ 1,670,607	ASSETS
--	--	61	1,925	Pooled Cash/Investments (Notes 1 and 4)
--	21	195,223	196,780	Imprest Cash Funds (Note 4)
--	--	14,809	14,809	Restricted Cash and Investments with Trustee (Notes 1 and 4)
--	--	35	35	Investments (Notes 1 and 4)
80	--	2,532	22,416	Deposits In-Lieu of Cash
--	29,433	2,021	44,897	Receivables (Note 6)
131	31	467	1,559	Accounts
--	--	2,113	5,260	Taxes (Note 1)
--	--	--	30	Interest/Dividends
--	--	(18)	(6,432)	Deposits
2,870	--	30,328	101,600	Advances
--	--	--	455	Allowance for Uncollectible Receivables
3,557	--	20,731	473,901	Due from Other Funds (Note 7)
398	--	--	1,631	Due from Component Unit (Note 7)
1,547	--	10,310	336,613	Due from Other Governmental Agencies, Net (Note 6)
--	--	145	145	Inventory of Materials and Supplies (Note 1)
--	--	--	3,800	Prepaid Costs (Note 1)
--	--	28,747	28,747	Land and Improvements Held for Resale (Note 1)
\$ 175,134	\$ 61,729	\$ 890,511	\$ 2,898,778	Advances to Other Funds (Note 7)
				Notes Receivable, Net (Note 6)
				Total Assets
				LIABILITIES
\$ 556	\$ 62	\$ 14,561	\$ 91,904	Accounts Payable
1	--	1,315	10,185	Retainage Payable
225	--	2,071	61,066	Salaries and Employee Benefits Payable
--	21	--	1,156	Interest Payable
14,066	--	4,172	35,877	Deposits from Others
7,394	2	40,012	99,030	Due to Other Funds (Note 7)
5,528	--	5,943	42,393	Due to Other Governmental Agencies
--	--	--	1,129	Estimated Litigation and Claims (Note 15)
1,080	--	2,939	41,197	Unearned Revenue (Note 1)
--	--	--	325,405	Bonds Payable (Note 10)
--	--	3,800	6,934	Advances from Other Funds (Note 7)
28,850	85	74,813	716,276	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES (Note 1)
423	--	946	149,103	Unavailable Revenue - Intergovernmental Revenues
--	--	--	47,926	Unavailable Revenue - Senate Bill 90 Mandated Claims, Net
--	--	793	10,929	Unavailable Revenue - Property Taxes
--	--	642	642	Unavailable Revenue - Long-Term Notes Receivables
--	--	--	6,278	Unavailable Revenue - Others
423	--	2,381	214,878	Total Deferred Inflows of Resources
				FUND BALANCES (Note 1)
1,945	--	10,495	342,229	Nonspendable
143,916	61,644	734,893	1,404,130	Restricted
--	--	67,929	221,265	Assigned
145,861	61,644	813,317	1,967,624	Total Fund Balances
\$ 175,134	\$ 61,729	\$ 890,511	\$ 2,898,778	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 \$2,357,313 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	\$	1,967,624
--	----	-----------

Capital assets used in the operations of the County are not reported in the governmental funds financial statements because governmental funds focus on current financial resources. Such assets must be included in the Statement of Net Position for purposes of government-wide reporting. These capital assets consist of:

Land	813,756	
Structures and Improvements	1,202,608	
Equipment	272,995	
Software	97,879	
Infrastructure	1,601,825	
Land Use Rights	6,992	
Construction/Software in Progress	119,411	
Accumulated Depreciation/Amortization	<u>(1,379,710)</u>	2,735,756

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

Prepaid Costs	109,986	
Prepaid Bond Insurance	<u>493</u>	110,479

Internal service funds primarily serve governmental funds and consequently the assets and liabilities of internal service funds are incorporated as part of governmental activities for purposes of government-wide financial reporting. In addition, the cumulative internal balance resulting from current year's and last year's allocation of internal service funds to business-type activities are also reported in the Statement of Net Position.

6,489

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as it is earned, regardless of its availability. Deferred inflows of resources is eliminated in the government-wide financial statements.

Deferred Inflows of Resources	205,869
-------------------------------	---------

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

Uncollected property taxes related to prior years are recorded as deferred inflows of resources in governmental funds. Likewise, property taxes levied in prior years are recorded as revenues in the current fiscal year as they are collected. These deferred inflows of resources should not be included in the government-wide Statement of Net Position as they relate to prior periods and were recognized as revenues in prior years.

9,009

The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is not financial resources; therefore, is reported in the government-wide financial statements.

Deferred Outflows of Resources

9,622

Governmental funds report only those liabilities that are expected to be liquidated with current available financial resources. Thus, governmental funds typically do not report any liability for the unmatured portion of long-term debt or any liability that does not consume current available financial resources. However, all liabilities must be reported in the government-wide financial statements. The adjustment to reduce net position for the unmatured long-term liabilities on the Statement of Net Position consists of the following:

Bonds and COPs Payable, Net	(190,742)	
SARI Line Loans Payable	(47,410)	
Teeter Plan Notes Payable	(39,830)	
Compensated Employee Absences Payable	(172,888)	
Capital Lease Obligations Payable	(62,446)	
Capital Asset Obligation	(310)	
Arbitrage Rebate Payable	(655)	
Interest Payable on Bonds	(2,331)	
Interest Accreted on Capital Appreciation Bonds	(103,377)	
Estimated Liability - Litigation and Claims	(150,000)	
County's Net Pension Asset for the Extra-Help Employees' Defined Benefit Retirement Plan	1,349	(768,640)

Governmental Accounting Standards Board (GASB) Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"* requires an employer to record a net Other Postemployment Benefits (OPEB) obligation (asset) for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan. In FY 2013-14, the County contributed more than the ARC to the Retiree Medical Trust, increasing the net OPEB asset reported on the Statement of Net Position.

48,729

Net Position of Governmental Activities

\$ 4,324,937

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

	General Fund	Roads	Flood Control District
Revenues			
Taxes	\$ 599,366	\$ --	\$ 79,515
Licenses, Permits, and Franchises	22,595	452	220
Fines, Forfeitures and Penalties	33,039	7	12
Use of Money and Property	5,260	297	2,779
Intergovernmental	1,593,107	81,324	69,715
Charges for Services	410,108	26,591	13,393
Other	13,124	766	2,976
Total Revenues	<u>2,676,599</u>	<u>109,437</u>	<u>168,610</u>
Expenditures			
Current			
General Government	140,816	--	--
Public Protection	1,082,961	--	83,489
Public Ways and Facilities	35,570	75,766	--
Health and Sanitation	620,256	--	--
Public Assistance	795,582	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	12,454	31,928	56,183
Debt Service			
Principal Retirement	21,622	--	12,482
Interest	9,844	--	--
Debt Issuance Costs	200	--	--
Total Expenditures	<u>2,719,305</u>	<u>107,694</u>	<u>152,154</u>
Excess (Deficit) of Revenues			
Over Expenditures	(42,706)	1,743	16,456
Other Financing Sources (Uses)			
Transfers In (Note 9)	203,257	500	650
Transfers Out (Note 9)	(88,711)	--	(2,839)
Debt Issued (Note 11)	--	--	--
Total Other Financing Sources (Uses)	<u>114,546</u>	<u>500</u>	<u>(2,189)</u>
Net Change in Fund Balances	71,840	2,243	14,267
Fund Balances - Beginning of Year	444,546	51,037	362,869
Fund Balances - End of Year	<u>\$ 516,386</u>	<u>\$ 53,280</u>	<u>\$ 377,136</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)

Other Public Protection	Teeter Plan Notes	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 100,055	\$ 778,936
--	--	1,653	24,920
2,419	10,889	15,715	62,081
3,307	258	51,710	63,611
23,159	--	302,940	2,070,245
8,309	--	12,498	470,899
8,773	--	28,767	54,406
<u>45,967</u>	<u>11,147</u>	<u>513,338</u>	<u>3,525,098</u>
--	251	31,128	172,195
27,482	--	137	1,194,069
--	--	16,170	127,506
--	--	1,635	621,891
--	--	176,574	972,156
--	--	40,008	40,008
--	--	98,388	98,388
2,792	--	22,424	125,781
--	43,295	34,087	111,486
--	413	24,850	35,107
--	--	--	200
<u>30,274</u>	<u>43,959</u>	<u>445,401</u>	<u>3,498,787</u>
15,693	(32,812)	67,937	26,311
3,294	--	86,673	294,374
(17,929)	--	(169,808)	(279,287)
--	39,639	--	39,639
<u>(14,635)</u>	<u>39,639</u>	<u>(83,135)</u>	<u>54,726</u>
1,058	6,827	(15,198)	81,037
144,803	54,817	828,515	1,886,587
<u>\$ 145,861</u>	<u>\$ 61,644</u>	<u>\$ 813,317</u>	<u>\$ 1,967,624</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
Debt Issuance Costs
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures

Other Financing Sources (Uses)

Transfers In (Note 9)
Transfers Out (Note 9)
Debt Issued (Note 11)
Total Other Financing Sources (Uses)

Net Change in Fund Balances

Fund Balances - Beginning of Year
Fund Balances - End of Year

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

The Net Change in Fund Balances for governmental funds of \$81,037 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of \$240,548 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	\$	81,037
--	----	--------

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	1,867	
Structures and Improvements and Construction in Progress	104,818	
Equipment	10,988	
Software	205	
Net of Gains/Losses on Capital Assets Dispositions	34,980	
Depreciation/Amortization Expense	(87,055)	
Capital Contributions	3,793	69,596

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	(39,639)	
Arbitrage Rebate Addition	(184)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	50,802	
Teeter Plan Notes Payable	43,295	
SARI Line Loans Payable	12,482	
Capital Lease Obligations	4,907	71,663

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	(15,083) <u>2,069</u>	(13,014)
--	--------------------------	----------

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	569	
Amortization of Deferred Charges	17,904	
Compensated Employee Absences Expense	246	
OCERS Investment Income	4,086	
Net Pension Obligation for Extra-Help Defined Benefit Plan	259	
Interest Accretion on Capital Appreciation Bonds	<u>(11,395)</u>	11,669

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 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 Income to Governmental Activities, net of Business-Type Activities	1,168	
Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	<u>11,504</u>	12,672

For FY 2013-14, the Other Postemployment Benefits (OPEB) cost was \$43,135 and the County contributed \$50,060, which was deposited in the Retiree Medical Trust. The funded amount over the annual OPEB cost increased the net OPEB asset and was treated as a decrease to the employee benefits expense.

6,925

Change in Net Position of Governmental Activities	<u>\$ 240,548</u>
---	-------------------

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

**BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	\$ 577,527	\$ 577,527	\$ 599,481	\$ 21,954
Licenses, Permits, and Franchises	20,219	20,216	19,061	(1,155)
Fines, Forfeitures and Penalties	34,995	35,153	30,946	(4,207)
Use of Money and Property	4,800	4,800	4,836	36
Intergovernmental	1,562,699	1,607,436	1,576,687	(30,749)
Charges for Services	419,130	422,396	421,518	(878)
Other	31,333	31,880	33,454	1,574
Transfers In	260,869	299,349	197,463	(101,886)
Premiums on Bonds Issued	-	-	-	-
Bond Issuance Proceeds	-	347,000	325,405	(21,595)
Proceeds of Refunding Bonds	-	-	-	-
Capital Leases	-	-	-	-
Special Items	-	-	-	-
Employer Contributions	-	-	-	-
Total Revenues and Other Financing Sources	2,911,572	3,345,757	3,208,851	(136,906)
Expenditures and Other Financing Uses				
General Government:				
Assessor	35,291	37,940	37,092	848
Auditor-Controller	14,778	14,778	14,334	444
Board of Supervisors - 1st District	935	935	937	(2)
Board of Supervisors - 2nd District	893	893	851	42
Board of Supervisors - 3rd District	895	895	745	150
Board of Supervisors - 4th District	935	935	786	149
Board of Supervisors - 5th District	900	900	870	30
Capital Acquisition Financing	5,851	5,851	5,841	10
Capital Projects	17,501	23,685	11,494	12,191
CAPS Program	10,155	10,155	10,253	(98)
Clerk of the Board	3,210	3,210	3,138	72
County Counsel	9,565	11,323	10,971	352
County Executive Office	14,842	14,736	13,508	1,228
County General	-	-	-	-
Data Systems Development Project	6,260	6,260	1,302	4,958
Employee Benefits	2,023	2,023	1,326	697
Employee Retirement	-	-	-	-
Human Resources	5,422	5,877	4,847	1,030
Internal Audit	2,574	2,574	2,383	191
IBM Mainframe	4,151	4,151	4,150	1
Miscellaneous	11,871	7,042	2,428	4,614
Office of Independent Review	429	429	387	42
Prepaid Pension Obligation	64	347,064	324,937	22,127
Property Tax System Centralized O & M Support	-	-	-	-
Registrar of Voters	11,962	12,480	11,425	1,055
Tax and Revenue Anticipation Notes	-	-	-	-
The Office of the Performance Audit	678	707	657	50
Treasurer-Tax Collector	12,653	13,430	13,210	220
Utilities	22,622	22,384	22,182	202
2005 Lease Revenue Refunding Bonds	27,035	42,335	41,923	412
2005 Refunding Recovery Bonds	18,429	18,429	18,429	-
County Local Revenue 2011	-	-	-	-
Public Protection:				
Alternate Defense	6,474	6,474	4,784	1,690
Building & Safety	8,252	8,252	8,032	220
Child Support Services	59,143	59,143	55,760	3,383
Clerk-Recorder	12,352	15,500	13,170	2,330
Detention Release	1,499	1,499	1,446	53
District Attorney	118,829	122,471	116,957	5,514
Emergency Management Division	2,883	2,883	2,739	144
Grand Jury	519	499	498	1
Juvenile Justice Commission	168	168	162	6
Probation	166,492	172,837	161,888	10,949
District Attorney-Public Administrator	1,716	1,716	1,435	281
Orange County Public Guardian	3,950	3,950	3,437	513
Public Defender	69,988	70,238	65,944	4,294
Sheriff-Coroner	530,079	546,061	539,476	6,585
Sheriff-Coroner Communications	10,349	10,349	8,812	1,537
Sheriff Court Operations	52,132	52,132	49,932	2,200
Trial Courts	65,415	65,436	64,369	1,067
Public Ways and Facilities:				
OC Public Works	51,758	52,055	45,733	6,322
Health and Sanitation:				
Health Care Agency	656,195	665,663	609,473	56,190
OC Watersheds	15,768	15,775	11,086	4,689
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	120,229	120,230	110,961	9,269
Aid to Refugees	432	644	538	106
California Works Opportunities and Responsibility to Kids	126,066	131,371	129,666	1,705
Case Data System	-	-	-	-
OC Community Resources	61,048	63,335	52,434	10,901
General Relief	6,869	10,344	9,593	751
In-Home Supportive Services - IHSS	40,789	43,185	42,508	677
Social Services Agency	484,365	506,611	468,075	38,536
Total Expenditures and Other Financing Uses	2,915,683	3,360,242	3,139,314	220,928
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(4,111)	(14,485)	69,537	\$ 84,022
Fund Balances - Beginning of Year	449,119	449,119	449,119	
Fund Balances - End of Year	\$ 445,008	\$ 434,634	\$ 518,656	

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 - ROADS**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 492	\$ 492	\$ 454	\$ (38)
Fines, Forfeitures and Penalties	9	9	7	(2)
Use of Money and Property	355	354	216	(138)
Intergovernmental	99,480	99,480	84,206	(15,274)
Charges for Services	65,475	62,339	26,749	(35,590)
Other	847	847	769	(78)
Transfers In	492	992	500	(492)
Total Revenues and Other Financing Sources	<u>167,150</u>	<u>164,513</u>	<u>112,901</u>	<u>(51,612)</u>
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
OC Road	132,956	134,311	104,165	30,146
Foothill Circulation Phasing Plan	1,447	1,490	706	784
South County Roadway Improve Prog (SCRIP)	21,088	21,088	-	21,088
Total Expenditures and Other Financing Uses	<u>155,491</u>	<u>156,889</u>	<u>104,871</u>	<u>52,018</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	11,659	7,624	8,030	<u>\$ 406</u>
Fund Balances - Beginning of Year	52,074	52,074	52,074	
Fund Balances - End of Year	<u>\$ 63,733</u>	<u>\$ 59,698</u>	<u>\$ 60,104</u>	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS - FLOOD CONTROL DISTRICT

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	\$ 76,936	\$ 76,936	\$ 79,489	\$ 2,553
Licenses, Permits, and Franchises	448	448	220	(228)
Fines, Forfeitures and Penalties	30	30	12	(18)
Use of Money and Property	2,670	2,670	2,243	(427)
Intergovernmental	24,712	24,712	66,438	41,726
Charges for Services	14,801	14,801	13,574	(1,227)
Other	2,752	2,752	2,977	225
Transfers In	-	650	650	-
Total Revenues and Other Financing Sources	<u>122,349</u>	<u>122,999</u>	<u>165,603</u>	<u>42,604</u>
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	135,891	138,878	123,766	15,112
OC Santa Ana River	68	68	-	68
OC Flood - Capital	<u>22,917</u>	<u>36,617</u>	<u>31,409</u>	<u>5,208</u>
Total Expenditures and Other Financing Uses	<u>158,876</u>	<u>175,563</u>	<u>155,175</u>	<u>20,388</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(36,527)	(52,564)	10,428	<u>\$ 62,992</u>
Fund Balances - Beginning of Year	<u>365,704</u>	<u>365,704</u>	<u>365,704</u>	
Fund Balances - End of Year	<u>\$ 329,177</u>	<u>\$ 313,140</u>	<u>\$ 376,132</u>	

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

Budgetary Comparison Statement
(Dollar Amounts in Thousands)

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

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	\$ 3,107	\$ 3,107	\$ 3,001	\$ (106)
Use of Money and Property	3,251	3,255	3,026	(229)
Intergovernmental	21,964	22,307	25,387	3,080
Charges for Services	9,967	9,958	8,309	(1,649)
Other	9,066	9,566	8,767	(799)
Transfers In	2,179	3,995	5,060	1,065
Total Revenues and Other Financing Sources	<u>49,534</u>	<u>52,188</u>	<u>53,550</u>	<u>1,362</u>
Expenditures and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab				
Investigation Team	843	849	789	60
County Automated Fingerprint				
Identification	1,312	1,327	1,090	237
Building and Safety - Operating Reserve	914	915	5	910
Narcotic Forfeiture and Seizure	665	665	611	54
Sheriff-Regional Narcotics				
Suppression Program	12,589	13,278	7,615	5,663
Motor Vehicle Theft Task Force	3,164	3,164	2,797	367
Clerk Recorder Special Revenue	14,610	14,610	7,220	7,390
Real Estate Prosecution	1,279	1,855	1,607	248
Proposition 64 - Consumer Protection	3,031	3,031	2,739	292
Proposition 69 - DNA Identification	920	2,021	1,099	922
Juvenile Justice Reform	20	20	2	18
Traffic Violator	1,511	1,427	409	1,018
Sheriff Narcotics Program	7,567	9,270	1,978	7,292
Orange County Jail	958	1,945	1	1,944
Sheriff's State Criminal Alien				
Assistance Program	2,424	3,187	2,334	853
California Automated Fingerprint				
Identification Operational Costs	33	43	33	10
California Automated Fingerprint				
Identification Systems Costs	25,899	28,663	3,672	24,991
Sheriff's Supplemental Law				
Enforcement Services	1,139	2,131	209	1,922
District Attorney's Supplemental				
Law Enforcement Services	918	941	941	-
Excess Public Safety Sales Tax	8,820	12,780	1,502	11,278
Equitable Sharing Forfeiture Program	1	25	23	2
Sheriff-Coroner Replacement				
and Maintenance	13,403	13,424	10	13,414
Ward Welfare	237	237	174	63
Court Facilities	1,315	1,315	-	1,315
Sheriff's Substations Fee Program	3,321	3,318	3	3,315
Jail Commissary	8,466	9,341	8,466	875
Inmate Welfare	8,634	9,631	4,049	5,582
Child Support Program Development	5,176	5,176	159	5,017
800 MHz County-Wide Coordinated				
Communications System	6,098	5,985	2,623	3,362
Delta Special Revenue	28	28	7	21
Total Expenditures and Other Financing Uses	<u>135,295</u>	<u>150,602</u>	<u>52,167</u>	<u>98,435</u>
Excess (Deficit) of Revenues and Other				
Financing Sources Over Expenditures				
and Other Financing Uses	(85,761)	(98,414)	1,383	<u>\$ 99,797</u>
Fund Balances - Beginning of Year	135,690	135,690	135,690	
Fund Balances - End of Year	<u>\$ 49,929</u>	<u>\$ 37,276</u>	<u>\$ 137,073</u>	

County of Orange
Comprehensive Annual Financial Report
June 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
ASSETS					
Current Assets					
Pooled Cash/Investments (Notes 1 and 4)	\$ 101,638	\$ 376,173	\$ 547	\$ 478,358	\$ 182,039
Cash Equivalents/Specific Investments (Notes 1 and 4)	28,105	--	--	28,105	--
Cash/Cash Equivalents (Notes 1 and 4)	7,633	--	--	7,633	--
Imprest Cash Funds (Note 4)	14	35	--	49	133
Restricted Cash and Investments with Trustee (Notes 1 and 4)	12,444	--	--	12,444	5
Restricted Pooled Cash/Investments (Notes 1 and 4)	62,587	556	--	63,143	--
Deposits In-Lieu of Cash	27,315	16,633	--	43,948	--
Receivables					
Accounts	4,684	9,051	2	13,737	182
Passenger Facility Charges	1,937	--	--	1,937	--
Interest/Dividends	251	411	1	663	160
Deposits	--	100	--	100	--
Pollution Remediation Obligation Recoveries	311	--	--	311	--
Allowance for Uncollectible Receivables	(3)	(1)	--	(4)	(11)
Due from Other Funds (Note 7)	1	4,030	2	4,033	2,643
Due from Other Governmental Agencies	4,445	2,085	--	6,530	1,097
Inventory of Materials and Supplies (Note 1)	--	--	--	--	489
Prepaid Costs (Note 1)	3,380	4,325	--	7,705	3,217
Total Current Assets	254,742	413,398	552	668,692	189,954
Noncurrent Assets					
Restricted Cash and Investments with Trustee (Notes 1 and 4)	13,821	--	--	13,821	--
Restricted Pooled Cash/Investments (Notes 1 and 4)	--	8,261	--	8,261	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 4, and 14)	--	90,583	--	90,583	--
Investments (Notes 1 and 4)	21,802	--	--	21,802	--
Advances to Other Funds (Note 7)	--	3,134	--	3,134	--
Capital Assets: (Notes 1 and 5)					
Land	15,678	22,405	--	38,083	--
Construction in Progress	10,065	18,019	--	28,084	75
Structures and Improvements	745,198	24,409	--	769,607	11,635
Accumulated Depreciation	(226,282)	(9,642)	--	(235,924)	(5,513)
Equipment	12,208	69,988	--	82,196	84,615
Accumulated Depreciation	(9,525)	(51,721)	--	(61,246)	(70,514)
Infrastructure	219,444	311,618	--	531,062	--
Accumulated Depreciation	(168,361)	(161,291)	--	(329,652)	--
Intangible Assets - Amortizable	418	438	--	856	--
Accumulated Amortization	(28)	(19)	--	(47)	--
Total Capital Assets	598,815	224,204	--	823,019	20,298
Total Noncurrent Assets	634,438	326,182	--	960,620	20,298
Total Assets	889,180	739,580	552	1,629,312	210,252

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	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 6,395	\$ 5,373	\$ --	\$ 11,768	\$ 10,499
Retainage Payable	512	617	--	1,129	--
Salaries and Employee Benefits Payable	652	828	--	1,480	639
Unearned Revenue	3,998	80	--	4,078	--
Due to Other Funds (Note 7)	2,702	3,760	31	6,493	2,753
Due to Other Governmental Agencies	430	3,026	--	3,456	198
Insurance Claims Payable (Notes 1 and 16)	--	--	--	--	51,498
Compensated Employee Absences Payable (Notes 1 and 11)	1,095	1,293	--	2,388	990
Pollution Remediation Obligation (Notes 11 and 17)	56	503	--	559	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	1,674	--	1,674	--
Bonds Payable (Note 11)	7,268	--	--	7,268	--
Interest Payable	5,354	--	--	5,354	--
Deposits from Others	28,318	17,338	--	45,656	--
Total Current Liabilities	56,780	34,492	31	91,303	66,577
Noncurrent Liabilities					
Insurance Claims Payable (Notes 1 and 16)	--	--	--	--	151,601
Compensated Employee Absences Payable (Notes 1 and 11)	1,164	1,531	--	2,695	1,107
Pollution Remediation Obligation (Notes 11 and 17)	1,002	12,177	--	13,179	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	178,437	--	178,437	--
Bonds Payable (Note 11)	202,536	--	--	202,536	--
Total Noncurrent Liabilities	204,702	192,145	--	396,847	152,708
Total Liabilities	261,482	226,637	31	488,150	219,285
NET POSITION					
Net Investment in Capital Assets	400,417	224,204	--	624,621	20,298
Restricted for (Note 1):					
Debt Service	7,090	--	--	7,090	--
Passenger Facility Charges Approved Capital Projects (Note 1)	62,522	--	--	62,522	--
Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	37,412	--	37,412	--
Landfill Corrective Action	--	7,141	--	7,141	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted (Note 1)	156,669	243,203	521	400,393	(29,331)
Total Net Position	\$ 627,698	\$ 512,943	\$ 521	\$ 1,141,162	\$ (9,033)
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				883	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(16,405)	
Net Position of Business-type Activities				\$ 1,125,640	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Operating Revenues					
Use of Property	\$ 101,138	\$ 3,324	\$ --	\$ 104,462	\$ 2,782
Licenses, Permits, and Franchises	--	63	--	63	--
Charges for Services	16,788	121,704	392	138,884	67,276
Insurance Premiums	--	--	--	--	288,866
Other Taxes	--	--	101	101	--
Total Operating Revenues	<u>117,926</u>	<u>125,091</u>	<u>493</u>	<u>243,510</u>	<u>358,924</u>
Operating Expenses					
Salaries and Employee Benefits	18,746	25,081	--	43,827	17,789
Services and Supplies	27,494	22,476	299	50,269	32,308
Professional Services	38,437	12,423	79	50,939	41,987
Operating Leases	212	900	1	1,113	2,531
Insurance Claims and Premiums (Note 16)	--	--	--	--	258,700
Pollution Remediation Expense	--	214	--	214	--
Other Charges	--	--	--	--	481
Taxes and Other Fees	--	9,772	--	9,772	10
Landfill Site Closure/Postclosure Costs (Note 14)	--	8,093	--	8,093	--
Depreciation/Amortization (Note 5)	26,687	15,175	--	41,862	3,067
Total Operating Expenses	<u>111,576</u>	<u>94,134</u>	<u>379</u>	<u>206,089</u>	<u>356,873</u>
Operating Income	<u>6,350</u>	<u>30,957</u>	<u>114</u>	<u>37,421</u>	<u>2,051</u>
Nonoperating Revenues (Expenses)					
Fines, Forfeitures and Penalties	237	15	--	252	--
Intergovernmental Revenues	869	31	--	900	922
Interest Revenue	812	2,248	4	3,064	810
Interest Expense	(9,938)	(23)	--	(9,961)	--
Gain on Disposition of Capital Assets	15	68	--	83	144
Passenger Facility Charges Revenue	18,196	--	--	18,196	--
Other Revenue, Net	434	2,556	--	2,990	6,920
Total Nonoperating Revenues	<u>10,625</u>	<u>4,895</u>	<u>4</u>	<u>15,524</u>	<u>8,796</u>
Income Before Contributions and Transfers	<u>16,975</u>	<u>35,852</u>	<u>118</u>	<u>52,945</u>	<u>10,847</u>
Capital Grant Contributions	5,277	--	--	5,277	--
Capital Contributions	--	--	--	--	238
Transfers In (Note 9)	--	16	--	16	2,807
Transfers Out (Note 9)	--	(17,223)	(350)	(17,573)	(337)
Change in Net Position	<u>22,252</u>	<u>18,645</u>	<u>(232)</u>	<u>40,665</u>	<u>13,555</u>
Net Position - Beginning of Year	606,959	494,299	753		(22,588)
Adjustment Due to Change in Accounting Principle (Note 2)	(1,513)	(1)	--		--
Net Position - Beginning of Year, as Restated	<u>605,446</u>	<u>494,298</u>	<u>753</u>		<u>(22,588)</u>
Net Position - End of Year	<u>\$ 627,698</u>	<u>\$ 512,943</u>	<u>\$ 521</u>		<u>\$ (9,033)</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				<u>883</u>	
Increase in Net Position of Business-Type Activities				<u>\$ 41,548</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, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 120,285	\$ 123,999	\$ 493	\$ 244,777	\$ 69,881
Cash Received for Premiums within the County's Entity	--	--	--	--	288,866
Payments to Suppliers for Goods and Services	(66,038)	(34,426)	(379)	(100,843)	(334,430)
Payments to Employees for Services	(19,229)	(25,215)	--	(44,444)	(17,833)
Payments for Interfund Services	--	(1,557)	(21)	(1,578)	(147)
Receipts for Interfund Services Used	175	--	--	175	174
Landfill Site Closure/Postclosure Care Costs	--	(1,674)	--	(1,674)	--
Taxes and Other Fees	--	(9,772)	--	(9,772)	(10)
Other Operating Receipts - Net	995	1,389	--	2,384	3,894
Net Cash Provided by Operating Activities	36,188	52,744	93	89,025	10,395
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	16	--	16	2,807
Transfers Out	--	(17,223)	(350)	(17,573)	(337)
Intergovernmental Revenues	583	31	--	614	922
Advances to Other Funds	--	784	--	784	--
Net Cash Provided (Used) by Noncapital Financing Activities	583	(16,392)	(350)	(16,159)	3,392
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(22,324)	(25,870)	--	(48,194)	(4,906)
Principal Paid on Bonds	(30,473)	(7,020)	--	(37,493)	--
Interest Paid on Long-Term Debt	(11,395)	(52)	--	(11,447)	--
Capital Grant Contributions	6,260	--	--	6,260	--
Passenger Facility Charges Received	18,591	--	--	18,591	--
Proceeds from Sale of Capital Assets	15	68	--	83	--
Net Cash Used by Capital and Related Financing Activities	(39,326)	(32,874)	--	(72,200)	(4,906)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	899	2,104	3	3,006	758
Purchase of Investments	(1,307)	--	--	(1,307)	--
Decrease in Restricted Investments with Trustee	--	11,749	--	11,749	--
Net Cash Provided (Used) by Investing Activities	(408)	13,853	3	13,448	758
Net Increase (Decrease) in Cash and Cash Equivalents	(2,963)	17,331	(254)	14,114	9,639
Cash and Cash Equivalents - Beginning of Year	215,384	458,277	801	674,462	172,538
Cash and Cash Equivalents - End of Year	\$ 212,421	\$ 475,608	\$ 547	\$ 688,576	\$ 182,177

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	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Reconciliation of Operating Income to Net Cash					
Provided by Operating Activities					
Operating Income	\$ 6,350	\$ 30,957	\$ 114	\$ 37,421	\$ 2,051
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation/Amortization	26,687	15,175	--	41,862	3,067
Fines, Forfeitures and Penalties	237	15	--	252	--
Other Revenue	895	2,556	--	3,451	6,920
(Increases) Decreases In:					
Deposits In-Lieu of Cash	12,177	120	--	12,297	--
Accounts Receivable (Net of Allowances)	641	946	(1)	1,586	56
Due from Other Funds	14	(3,967)	1	(3,952)	(390)
Due from Other Governmental Agencies	84	(1,891)	--	(1,807)	(247)
Inventory of Materials and Supplies	--	--	--	--	(44)
Prepaid Costs	(361)	139	--	(222)	(386)
Increases (Decreases) In:					
Accounts Payable	322	(1,152)	--	(830)	4,950
Retainage Payable	(171)	16	--	(155)	(24)
Salaries and Employee Benefits Payable	(156)	(181)	--	(337)	(98)
Unearned Revenue	1,640	(19)	--	1,621	--
Due to Other Funds	161	2,410	(21)	2,550	417
Due to Other Governmental Agencies	(147)	1,609	--	1,462	194
Insurance Claims Payable	--	--	--	--	(6,125)
Compensated Employee Absences Payable	(12)	47	--	35	54
Pollution Remediation Obligation	(66)	(153)	--	(219)	--
Deposits from Others	(11,911)	(266)	--	(12,177)	--
Arbitrage Rebate Payable	(196)	(35)	--	(231)	--
Landfill Site Closure/ Postclosure Liability	--	6,418	--	6,418	--
Total Adjustments	29,838	21,787	(21)	51,604	8,344
Net Cash Provided by Operating Activities	<u>\$ 36,188</u>	<u>\$ 52,744</u>	<u>\$ 93</u>	<u>\$ 89,025</u>	<u>\$ 10,395</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	\$ 101,638	\$ 376,173	\$ 547	\$ 478,358	\$ 182,039
Cash Equivalents/Specific Investments	28,105	--	--	28,105	--
Cash/Cash Equivalents	7,633	--	--	7,633	--
Imprest Cash Funds	14	35	--	49	133
Restricted Cash and Investments with Trustee	12,444 (1)	--	--	12,444	5
Restricted Pooled Cash/Investments	62,587	8,817	--	71,404	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	90,583	--	90,583	--
Total Cash and Cash Equivalents	<u>\$ 212,421</u>	<u>\$ 475,608</u>	<u>\$ 547</u>	<u>\$ 688,576</u>	<u>\$ 182,177</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

- The Information & Technology Internal Service Fund received \$238 of capital contribution from the General Fund.
- The Internal Service Funds gained \$144 on disposition of capital assets.
- Airport gained \$15 on disposition of capital assets.
- Waste Management gained \$68 on disposition of capital assets.
- The Internal Service Funds' acquisition of capital assets with accounts payable is \$138.
- Airport's acquisition of capital assets with accounts payable is \$2,417.
- Waste Management's acquisition of capital assets with accounts payable is \$1,273.

(1) Does not include \$13,821 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
<u>ASSETS</u>				
Pooled Cash/Investments (Notes 1 and 4)	\$ 47,563	\$ 3,475,626	\$ 11,351	\$ 298,274
Cash/Cash Equivalents (Notes 1 and 4)	--	--	--	253
Restricted Cash and Investments (Notes 1 and 4)				
Restricted Cash	101	--	--	--
Restricted Investments with Trustee				
Money Market Mutual Funds	2,290	--	77,147	33,639
Stable Value Fund	--	--	7,602	--
Restricted Cash with Orange County				
Employees Retirement System (OCERS)	--	--	185,471	--
Restricted Cash with Local Agency Investment				
Fund (LAIF)	--	--	--	5,087
Total Restricted Cash and Investments	2,391	--	270,220	38,726
Investments (Notes 1 and 4)	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	11,891
Receivables				
Accounts	--	--	--	8
Taxes (Note 1)	--	--	--	304,568
Interest/Dividends	77	6,016	18	4,890
Allowance for Uncollectible Receivables	--	--	--	(137,073)
Due from Other Governmental Agencies	--	--	2,681	24,039
Land Held for Redevelopment	618	--	--	--
Prepaid Bond Insurance	136	--	--	--
Notes Receivable	--	--	--	28,233
Total Assets	50,785	3,481,642	284,270	574,891
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	494	--	--	--
Total Deferred Outflows of Resources	494	--	--	--
<u>LIABILITIES</u>				
Bonds Payable	38,069	--	--	--
Interest Payable	734	--	--	3,436
Deposits from Others	--	--	--	17,312
Monies Held for Others	--	--	--	181,297
Due to Other Governmental Agencies	557	297	--	49,843
Unapportioned Taxes	--	--	--	323,003
Total Liabilities	39,360	297	--	574,891
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	161	--	--	--
Total Deferred Inflows of Resources	161	--	--	--
<u>NET POSITION</u>				
Restricted for Pension Benefits and Other Purposes	11,758	3,481,345	284,270	--
Total Net Position	\$ 11,758	\$ 3,481,345	\$ 284,270	\$ --

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post Employment Benefit Trust Funds
Additions:			
Contributions to Pension and Other Post Employment Benefit Trusts:			
Employer (Notes 18 and 19)	\$ --	\$ --	\$ 54,118
Employee (Note 18)	--	--	7,130
Contributions to Pooled Investments (Note 4)	--	6,715,569	--
Contributions to Private-Purpose Trust	65,311	--	--
Intergovernmental Revenues	8,335	--	--
Other Revenues	404	--	--
Interest and Investment Income (Note 4)	72	16,613	29,251
Less: Investment Expense (Note 4)	(67)	(2,975)	(50)
Total Additions	<u>74,055</u>	<u>6,729,207</u>	<u>90,449</u>
Deductions:			
Benefits Paid to Participants (Notes 18 and 19)	--	--	32,031
Distributions from Pooled Investments (Note 4)	--	6,718,628	--
Distributions from Private-Purpose Trust	68,756	--	--
Services and Supplies	2	--	--
Professional Services	252	--	--
Bond Issuance Costs	425	--	--
Tax Pass-Throughs	6,200	--	--
Interest Expense	2,419	--	--
Total Deductions	<u>78,054</u>	<u>6,718,628</u>	<u>32,031</u>
Change in Net Position:			
Private-Purpose Trust	(3,999)	--	--
External Investment Pool (Note 4)	--	10,579	--
Employees' Pension and Other Post Employment Benefits (Notes 18 and 19)	--	--	58,418
Net Position, Beginning of Year	16,051	3,470,766	225,852
Adjustment Due to Change in Accounting Principle (Note 2)	(294)	--	--
Net Position, Beginning of Year, as Restated	<u>15,757</u>	<u>--</u>	<u>--</u>
Net Position, End of Year	<u>\$ 11,758</u>	<u>\$ 3,481,345</u>	<u>\$ 284,270</u>





Ronald W. Caspers Wilderness Park



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 (the 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 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*," and Statement No. 61, "*The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*" 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 former Orange County Development Agency, formed to provide financial assistance to the County by financing the acquisition, construction, and improvement of public facilities in the County. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types. With the passage of ABX1 26 dissolving redevelopment agencies statewide effective February 1, 2012, the Authority will not issue any new debt.

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

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

A. Reporting Entity (Continued)

Blended Component Units (Continued)

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 purchase, 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 Public 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 Public Authority include collective bargaining for the individual providers, establishing a registry of providers, investigating the background of providers and providing training to both IHSS providers and consumers. The Authority is reported in governmental fund types.

Fiduciary Component Unit

Orange County Development Agency (OCDA) Redevelopment Successor Agency On January 24, 2012, the County elected to become the Successor Agency to the former OCDA in accordance with ABX1 26 (Dissolution Act). An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the County of Orange, was established to account for the assets and liabilities of the former OCDA. For additional information related to the activities of the Successor Agency and its on-going Enforceable Obligations, please refer to its separate financial statements. Copies of the Successor Agency's financial statements can be obtained from the OC Community Resources Department or by accessing Orange County's website at the following address: <http://ac.ocgov.com/info/financial/>

Discretely Presented Component Units

Children and Families Commission of Orange County The Commission 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, funded by additional State taxes on tobacco products approved by California voters via Proposition 10 in November 1998. The Commission 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 Commission, the appointed Commission 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 at the following address: <http://ac.ocgov.com/info/financial/>

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 eleven 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), and PACE. CalOptima is presented as a discretely

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

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

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. Alternately, you can access the website <http://wpso.dmhc.ca.gov/fe/search/#top>, and select the Health Plan "Orange County Health Authority" and statement type "Annual Audit Reports."

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 expense, accumulated depreciation, amortization expense and accumulated 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, Children and Families Commission of Orange County and CalOptima, for which the primary government is financially accountable. The government-wide Statement of Net Position displays the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

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 to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- Restricted Net Position This category represents restrictions imposed on the use of the County's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. All of the County's net position restrictions are externally imposed by outside parties, constitutional provisions or enabling legislation. Examples of restricted net position include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service payments. At June 30, 2014, the County's governmental activities reported restricted net position of \$1,346,717 restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, legally segregated funds restricted for grants and other purpose, and regional park endowment. Restricted Net Position for business-type activities amounted to \$116,148 and are restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2014, the County reported \$62,522 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 restricted fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position.

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 the programs where the revenue is earned. Program revenues include:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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, federal funds, and charges for engineering services provided.

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. Intergovernmental revenues, 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, forfeitures, penalties, and charges for services.

Teeter Plan Notes This debt service 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.

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.

Waste Management 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

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 ten Internal Service Funds. These proprietary funds are used to account for the financing of services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis. The services provided by these funds are Insurance, Transportation, Publishing, and Information and Technology. Internal Service Funds are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of Internal Service Funds are consolidated into the governmental activities column when presented at the government-wide level.

Fiduciary Fund Types The County has a total of 353 individual trust and agency funds for FY 2013-14. 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 or pension 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. Beginning in FY 2011-12, the County accounts for the former redevelopment agency as a fiduciary component unit for the OCDA Redevelopment Successor 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 external investment pool.

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 Other Postemployment Benefit 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 postemployment benefit plans.

Agency Funds These funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity, such as the receipt, temporary investments, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability for resources held on behalf of others.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

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

Governmental 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 (i.e., 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 inter-governmental 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

Receipts that have not met all of the earning requirements are reported as unearned revenue. As of June 30, 2014, the County reported \$214,878 of deferred inflows of resources, and \$41,197 of unearned revenue, in the governmental funds' Balance Sheet.

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

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

Proprietary Fund Financial Statements

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

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

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

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

Fiduciary Fund Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision

No later than October 2nd of each year, after conducting public hearings concerning the recommended budget, the Board adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Adopted Budget," which specifies all accounts established within each fund/department/budget control (a collection of account numbers necessary to fund a certain division or set of goal-related activities).

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 Public Facilities Corporation Bonds, Master Lease Fund, the South OC Public Financing Authority Fund, and the Orange County Public Financing Authority 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:

- *Roads*
- *Flood Control District*
- *Other Public Protection*

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/encumbrances 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*," all investment income, including changes in fair value (gains/losses) of investments, are recognized as interest revenue.
- Under the budgetary basis, redirected investment income is recognized as investment income in the recipient fund. In accordance with GASB Statement No. 31, investment income assigned to another fund due to management decision is recognized in the fund that reports the investment and reported as a transfer to the recipient fund in the GAAP financial statements.
- Under the budgetary basis, revenues are recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," it states that all nonexchange transactions, such as government-mandated nonexchange transactions and voluntary

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

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 or August 30. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 30 and records adjustments to deferred inflows of resources for transactions that are not collected.

- GASB Statement No. 34, *“Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,”* 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 no longer 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 interfund transfers.
- Revenues and expenditures recorded as reimbursements for retirement costs and administration fees.
- The County reclassified to the General Fund all the activities of certain special revenue funds, which no longer meet the definition of a special revenue fund in accordance with GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* (GASB Statement No. 54).
- For budgetary purposes, the loan from Waste Management 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 accruals for incurred expenditures for which outflows of cash or other assets will not occur until after the end of each fiscal year. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs a look-back analysis to identify and adjust expenditure accruals for the GAAP financial statements.
- Bond Issuance Proceeds related to short-term debt that was reported on the Budgetary Comparison Statement as revenues and other financing sources are reported as a fund level liability for GAAP financial statements.
- During the year, revenues are recorded reimbursing the pension benefit cost and expenditures are charged as an administrative fee for replacement benefits.
- The prepaid pension costs were reported in the Budgetary Comparison Statement for the General Fund as an expenditure. For the GAAP financial statements, the prepaid pension costs were recorded as a Prepaid Cost on the General Fund Balance Sheet.

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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

Revenues and Other Financing Sources	General Fund	Roads	Flood Control District	Other Public Protection
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements	\$ 3,208,851	\$ 112,901	\$ 165,603	\$ 53,550
Differences- budget to GAAP:				
Change in unrealized gain/(loss) on investment	200	(51)	2,526	144
GASB 31 adjustment to report redirected investment income as transfers	--	--	--	89
GASB 33 adjustment of revenue accruals for 60 day recognition period	4,470	(2,762)	1,041	165
GASB 34 adjustment to record Public Purpose Trust Fund's monies as revenue in benefitting fund	10,875	--	271	600
Adjustment to eliminate intrafund transfers	766	--	--	(4,731)
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(20,659)	(151)	(181)	--
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	5	--	--	(556)
Short- Term Bond Issuance Proceeds that were reported on the Budgetary Comparison Statement as an other financing source are reported as a fund level liability for GAAP financial statements	(325,405)	--	--	--
Reimbursement for Retirement Cost & Admin Fee	753	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 2,879,856</u>	<u>\$ 109,937</u>	<u>\$ 169,260</u>	<u>\$ 49,261</u>

Expenditures and Other Financing Uses	General Fund	Roads	Flood Control District	Other Public Protection
Actual expenditures and Other Financing Uses from the Budgetary Comparison Statements	\$ 3,139,314	\$ 104,871	\$ 155,175	\$ 52,167
Differences- budget to GAAP:				
GASB 31 adjustment to report redirected investment income as transfers	--	--	--	89
Adjustment of expenditure accruals for timing	15,342	2,974	--	108
Adjustment to eliminate intrafund transfers	(11)	--	--	(4,730)
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(20,659)	(151)	(182)	--
The prepaid pension costs were reported in the Budgetary Comparison Statement for the General Fund as an expenditure. For GAAP financial statements, the prepaid pension costs were recorded as a Prepaid Cost on the General Fund Balance Sheet	(325,202)	--	--	--
Expenditures and Other Financing Uses for non- budgeted funds are excluded in the Budgetary Comparison Statements	--	--	--	569
Reimbursement for Retirement Cost & Admin Fee	16	--	--	--
Reclassification of loan repayment from General Fund to OC Waste Management	(784)	--	--	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 2,808,016</u>	<u>\$ 107,694</u>	<u>\$ 154,993</u>	<u>\$ 48,203</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

The County applies GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" (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 of Supervisors (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 or 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, approved by the Board for appropriation in FY 2013-14, 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.

In 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
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Roads	Flood Control District	Other Public Protection	Teeter Plan Notes	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ 902	\$ -	\$ 331	\$ 398	\$ -	\$ -	\$ 1,631
Prepaid costs	316,320	4,003	4,433	1,547	-	10,310	336,613
Endowment	-	-	-	-	-	185	185
Long-Term Advances to Other Funds	3,800	-	-	-	-	-	3,800
Total Nonspendable Fund Balance	\$ 321,022	\$ 4,003	\$ 4,764	\$ 1,945	\$ -	\$ 10,495	\$ 342,229
Restricted for:							
Court Operations	8,782	-	-	-	-	-	8,782
Tobacco and CHIP Programs	160	-	-	-	-	-	160
Public Safety Realignment	33,086	-	-	-	-	-	33,086
Civic Center Parking/Maintenance	-	-	-	-	-	320	320
Roads	-	49,277	-	-	-	-	49,277
Public Libraries	-	-	-	-	-	20,440	20,440
Flood Control District	-	-	372,372	-	-	-	372,372
OC Parks	-	-	-	-	-	71,858	71,858
Service Areas, Lighting, Maintenance and Assessment Districts	-	-	-	-	-	19,405	19,405
Other Environmental Management	-	-	-	-	-	1,103	1,103
Public Safety	-	-	-	143,916	-	-	143,916
Teeter Note	-	-	-	-	61,644	-	61,644
OC Dana Point Harbor Projects	-	-	-	-	-	57,046	57,046
Community and Welfare Services	-	-	-	-	-	46,398	46,398
Low and Moderate Income Housing Program	-	-	-	-	-	32,612	32,612
Health Care Programs	-	-	-	-	-	230,279	230,279
Bankruptcy Litigation	-	-	-	-	-	6,014	6,014
Bankruptcy Recovery	-	-	-	-	-	16,936	16,936
Tobacco Settlement Programs	-	-	-	-	-	14,419	14,419
Housing Programs	-	-	-	-	-	17,796	17,796
Technological and Capital Acquisitions/Improvements	-	-	-	-	-	1,263	1,263
Endowment	-	-	-	-	-	140	140
Public Facilities Corporation Bonds, Master Lease	-	-	-	-	-	3,420	3,420
Pension Obligation Bonds	-	-	-	-	-	143,033	143,033
South OC Public Financing Authority	-	-	-	-	-	3,743	3,743
Orange County Public Financing Authority	-	-	-	-	-	40,432	40,432
Capital Projects:							
Criminal Justice Facilities Improvement	-	-	-	-	-	8,236	8,236
Total Restricted Fund Balance	\$ 42,028	\$ 49,277	\$ 372,372	\$ 143,916	\$ 61,644	\$ 734,893	\$ 1,404,130
Assigned to:							
General Services	99,475	-	-	-	-	-	99,475
Imprest Cash	1,864	-	-	-	-	-	1,864
Public Safety	23,280	-	-	-	-	-	23,280
Public Works	1,958	-	-	-	-	-	1,958
Health Care Programs	204	-	-	-	-	4,500	4,704
Watershed Programs	590	-	-	-	-	-	590
Social Services Programs	4,885	-	-	-	-	-	4,885
Community Resources Programs	1,189	-	-	-	-	-	1,189
Debt Service	5,354	-	-	-	-	-	5,354
Capital Projects:							
Countywide Projects	-	-	-	-	-	876	876
Property Tax Software Development	731	-	-	-	-	-	731
Computer Upgrade	2,200	-	-	-	-	-	2,200
Criminal Justice Facilities	4,445	-	-	-	-	-	4,445
Central Utilities Facility	842	-	-	-	-	-	842
Animal Care Facility	4,423	-	-	-	-	-	4,423
Other Projects	1,896	-	-	-	-	-	1,896
Parking Facilities	-	-	-	-	-	435	435
OC Parks	-	-	-	-	-	11,898	11,898
Real Estate Development Programs	-	-	-	-	-	1,310	1,310
Community and Welfare Services	-	-	-	-	-	48,896	48,896
Deferred Compensation Reimbursement	-	-	-	-	-	14	14
Total Assigned Fund Balance	\$ 153,336	\$ -	\$ -	\$ -	\$ -	\$ 67,929	\$ 221,265
Unassigned	-	-	-	-	-	-	-
Total Unassigned Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fund Balances	\$ 516,386	\$ 53,280	\$ 377,136	\$ 145,861	\$ 61,644	\$ 813,317	\$ 1,967,624

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2014 Strategic Financial Plan includes a policy for Fund Balance Available (FBA) that eliminates FBA 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 FBA are to be added to Strategic Reserves, consistent with the Board policy, and necessary to improve cash position.

The County prepays its pension obligation and reports the prepaid amount as nonspendable fund balance rather than unassigned fund balance as required by GASB Statement No. 54. For FY 2013-14, the County issued \$325,202 in short-term Taxable Pension Obligation Bonds to prepay a portion of its FY 2014-15 pension contribution at a discount. Refer to Note 10, Short-Term Obligations and Note 18, Retirement Plans for additional information.

F. Deposits and Investments

The County maintains two cash and investment pools: 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. These pools are 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 County maintains certain other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements. Management contracts with outside services to provide pricing for the fair value of investments in the portfolio, which are based on quoted market prices.

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 medium-term notes, mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term debt investments are reported at amortized cost, while long-term investments, such as U.S. Government securities are stated at fair value. The trustee uses an independent service to value those securities, which are based on quoted market prices and stated at fair value.

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) investment and administrative expenses. 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. The total difference between the fair values of the investments in the Pools and the values distributed to pool participants using the amortized cost method described above is reported in the equity section of the condensed statement of net position of the County Pool (see Note 4, Deposits and Investments) as undistributed and unrealized gains.

The investments in the Retiree Medical Defined Benefit Trust are managed by the Orange County Employees Retirement System (OCERS) and are reported at fair value. Refer to Note 18, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 costs in the period during which services are provided. Prepaid costs in the fund financial statements include \$336,613 for governmental funds and \$10,922 for proprietary funds, which primarily consist of the FY 2013-14 Annual Required Contribution pre-payment of \$346,676. Prepaid costs in the enterprise funds also include insurance of \$93 for John Wayne Airport. In accordance with GASB Statement No. 54, fund balances are classified as nonspendable for amounts equal to the prepaid cost at the end of the fiscal year in the governmental funds.

Prepaid costs in the government-wide financial statements also include the prepaid costs reported in the fund financial statements, as well as the County's Investment Account with OCERS for future pension costs of \$109,986 (see Note 18 for additional information regarding this pension investment asset for the OCERS Pension Plan).

I. Land and Improvements Held for Resale

These assets, held by the OCDA Redevelopment Successor Agency and OC Housing, 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, 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 estimated fair value at the date of donation. Capital assets with an original unit cost equal to or greater than the County's capitalization threshold shown in the table below are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Asset Type	Capitalization Threshold
Land	\$ 0
Structures and Improvements	\$150
Equipment	\$ 5
Intangible	\$150
Infrastructure	\$ 0

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, intangible, and infrastructure are as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

Structures and Improvements	10 to 50 years
Equipment	2 to 20 years
Intangibles:	
Computer Software	3 to 15 years
Land Use Rights	3 years
Infrastructure:	
Flood Channels	20 to 99 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, Taxis, and Aprons	15 to 45 years
Waste Management – Cell Development, Drainage Channels, Facility 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.

For business-type activities, interest is capitalized on construction in progress. Capitalized interest is the total interest expense of the borrowing net of related interest earnings on the reinvested unexpended tax-exempt debt proceeds. For governmental activities, interest is not capitalized as a cost of the capital asset in accordance with GAAP.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. 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.

In addition to liabilities, the statement of financial position sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 \$47,926 is the net of an allowance for the estimated uncollectible of \$48,977.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Self-Insurance

The County is self-insured for general and automobile liability and workers' compensation claims 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, community redevelopment successor agencies, independently governed special districts (not governed by the Board), special districts governed by the Board, 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 taxing 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 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, 2014 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 uses the direct write-off method 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, 2014, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes (Continued)

represented approximately 1.16% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	<u>California Revenue & 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 30.	2922
Assessor delivers roll to Auditor-Controller July 1.	616, 617
Tax roll is delivered to the 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 a 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.

O. Statement of Cash Flows

Statements of Cash Flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the County's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

P. Indirect Costs

County indirect costs are allocated to benefiting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2013-14 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 225. The County has elected to allocate indirect costs to departments within the General Fund that are not charged through CWCAP in order to match the reimbursement of indirect costs recorded as program revenues to the same function that the related expense is recorded in.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2013-14:

In March 2012, GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities*." This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012, which requires the County to implement this statement in FY 2013-14. The statement was implemented without a material impact to the County. Refer to Note 2, Change in Accounting Principle for additional information.

In March 2012, GASB issued Statement No. 66, "*Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62*." This statement amends Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012, which requires the County to implement this statement in FY 2013-14. The statement was implemented without an impact to the County.

In June 2012, GASB issued Statement No. 67, "*Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*", which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statements No. 25, "*Financial Reporting for Defined Benefit Pension Plans*," and No. 50, "*Pension Disclosures*," as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement enhances note disclosures and required supplemental information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013, which requires the County to implement this statement in FY 2013-14. The statement was implemented without a material impact to the County. Refer to Note 18, Retirement Plans and RSI for additional information.

In April 2013, GASB issued Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*." This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013, which requires the County to implement this statement in FY 2013-14. The statement was implemented without an impact to the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Effects of New Pronouncements (Continued)

The following summarizes recent GASB Pronouncements and their impact, if any, on future financial statements:

In June 2012, GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*," which also results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*," as well as the requirements of Statement No. 50, "*Pension Disclosures*," as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the County to implement this statement in FY 2014-15.

In January 2013, GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*." This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, which requires the County to implement this statement in FY 2014-15.

In November 2013, GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*." This statement requires that, at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the County to implement this statement in FY 2014-15.

R. 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.

S. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental and Proprietary Fund financial statements that are condensed together in the Government-Wide Statement of Net Position.

<i>Government-Wide Statement of Net Position Line Item</i>	<i>Corresponding Governmental and Proprietary Fund Balance Sheet or Statement of Net Position Line Item</i>
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; Intangible Assets and Accumulated Amortization; and Infrastructure and Accumulated Depreciation

2. CHANGE IN ACCOUNTING PRINCIPLE

The County implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," in the current financial statements. Prior period adjustments of \$1,319 and \$1,514 were made to decrease the governmental activities' beginning net position and business-type activities' beginning net position. A prior period adjustment of \$294 was also made to decrease the private-purpose trust funds' beginning net position. The adjustments were prepared to write-off deferred bond issuance costs and to change the classification of deferred amount on refunding to deferred outflows/inflows of resources related to various county debts. The restatement of beginning net position of the governmental activities, business-type activities, and private-purpose trust funds are restated as follows:

	Governmental Activities	Business-Type Activities	Private-Purpose Trust Funds
Net Position at June 30, 2013	\$ 4,085,705	\$ 1,085,606	\$ 16,051
Adjustment Due to Change in Accounting Principle	(1,319)	(1,514)	(294)
Net Position at June 30, 2013 as Restated	<u>\$ 4,084,386</u>	<u>\$ 1,084,092</u>	<u>\$ 15,757</u>

Refer to Note 1, Summary of Significant Accounting Policies, for additional information on GASB Statement No. 65.

3. DEFICIT FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) and the Property and Casualty Risk ISF reported deficit net position balances of \$79,959 and \$10,716, respectively. The deficits result 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 for the Workers' Compensation ISF increased by \$2,661 from the previous fiscal year due to an increase in claim expenses. The deficit for the Property and Casualty Risk ISF decreased by \$17,820 from the previous fiscal year due to lower claim expenses and case reserves. Charges to County departments have

3. DEFICIT FUND EQUITY (Continued)

not provided sufficient cash flows to entirely fund the deficits in these ISFs. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program and the Property and Casualty Risk Program.

4. DEPOSITS AND INVESTMENTS

The 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 individual investment accounts outside of the pooled funds. These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF, the Treasurer maintains an Orange County Investment Pool (OCIP) and an Orange County Educational Investment Pool (OCEIP), which are "external investment pools" 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. In addition, the Treasurer maintains the John Wayne Airport Investment Pool and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company.

The Treasurer further invests pooled funds from the OCIP and OCEIP into three funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF) and the Extended Fund. On September 11, 2014, Standard & Poor's (S&P) reaffirmed a AAA Principal Stability Fund Rating (AAAm) for the OCMMF and the OCEMMF. The two money market funds are required to maintain a Net Asset Value (NAV) of between \$0.995 and \$1.005 to maintain a AAAm rating. Neither the Money Market Funds nor the Extended Fund have any legally binding guarantees of share values.

The maximum maturity of investments for the two Money Market Funds is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the Extended Fund is five years per CGC. The Investment Policy Statement (IPS) provides that the Extended Fund shall have duration not to exceed a leading 1-3 Year index +25%.

Pursuant to Sections 27130-27137 of the CGC, 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.

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. Interest assigned to another fund due to management decision is recognized in the fund that reports the investments and is reported as a transfer to the recipient fund.

Deposits and investments totaled \$6,560,244 as of June 30, 2014, consisting of \$3,231,040 for the OCIP, \$3,263,405 for the OCEIP, and \$65,799 for Specific Investments.

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 Superintendent of Banks. Collateral is required for demand deposits at 110% of all deposits not covered by federal depository

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

insurance (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 custodial agreements are required to provide, among other things, that the collateral securities are held separate from the assets of the custodial institution.

FDIC is available for interest-bearing 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 53562.

Total County deposits and investments at fair value as of June 30, 2014, are reported as follows:

Deposits:

Imprest Cash	\$	2,116
Deposits for OCIP		18,443
Deposits for OCEIP		9,404
All other Deposits and timing differences		(100,782)
Total Deposits and Timing Differences		<u>(70,819)</u>

Investments:

With Treasurer		6,532,397
With Trustee		341,349
With External Orange County Employees Retirement System (OCERS)		185,471
With State's Local Agency Investment Fund (LAIF)		5,087
Total Investments		<u>7,064,304</u>
Total Deposits and Investments	\$	<u>6,993,485</u>

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

Governmental Funds	\$	1,884,121
Component Unit - CFCOC		57,502
Fiduciary Funds		4,145,486
Proprietary Funds		906,376
Total Deposits and Investments	\$	<u>6,993,485</u>

B. Investments

The CGC Section 53601, 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, credit quality and timing to minimize the risk of loss. The IPS adds further restrictions to

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

permitted investments from the CGC. As of June 30, 2014, the Treasurer was in full compliance with the more restrictive IPS and therefore, was also in compliance with CGC. The following table provides a summary listing of the authorized investments as of June 30, 2014.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term-Extended Fund)	Orange County IPS Maximum Final Maturity (Short-Term – Money Market Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% Total, no more than 30% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 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%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Mutual Funds	20%, 10% in a single fund	20% Total, no more than 10% in one mutual fund	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one pool	N/A	N/A	N/A

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC, structured notes, structured investment vehicles, and derivatives. All investments must be United States dollar denominated. No investment may be purchased from an issuer that has 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” by S&P, Fitch or Moody’s.

Investments by the Treasurer are stated at fair value. Investments in the OCIF are marked to market on a daily basis. If the NAV of the OCMMF or OCMMF is less than \$0.995 or greater than \$1.005, portfolio holdings may be sold as necessary to maintain the ratio between \$0.995 and \$1.005.

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school and community college districts are required by legal provisions to deposit their funds with the County Treasurer. The OCEIP consists entirely of public school and community college districts’ funds and therefore includes 100% involuntary participants. At June 30, 2014, the OCIP includes approximately 6.9%

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

of involuntary participant deposits including funds for the Superior Court, certain assessment districts, redevelopment property tax trust funds, and certain bond related funds for public school districts.

Investment Disclosures

The following table presents a summary of the County's investments and the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2014. (NR means Not Rated).

<u>With Treasurer:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate</u> <u>Range (%)</u>	<u>Maturity Range</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(Years)</u>	<u>Rating (1)</u>	<u>% of</u> <u>Portfolio</u>
<u>County Investment Pool (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 70,448	\$ 70,455	0.04 - 0.10%	7/22/14 - 10/29/14	0.163	A-1	2.19%
FNMA Bonds	369,399	369,091	0.11 - 1.65%	8/28/14 - 4/11/18	1.757	AA	11.50%
FFCB Bonds	238,483	238,298	0.10 - 0.61%	10/16/14 - 8/11/16	0.512	AA	7.42%
FHLB Discount Notes	120,355	120,368	0.03 - 0.08%	7/11/14 - 9/5/14	0.130	A-1	3.76%
FHLB Bonds	560,024	559,421	0.08 - 1.15%	7/2/14 - 5/22/18	1.633	AA	17.43%
FHLMC Discount Notes	148,797	148,829	0.06 - 0.17%	7/1/14 - 2/9/15	0.265	A-1	4.63%
FHLMC Bonds	432,190	431,377	0.08 - 0.99%	7/4/14 - 6/29/17	1.312	AA	13.45%
Negotiable Certificates of Deposit	35,003	35,000	0.03 - 0.20%	8/22/14 - 11/24/14	0.095	A-1	1.09%
Medium-Term Corporate Notes							
Corporate Notes	11,197	11,000	0.26%	02/11/15	0.619	A	0.35%
Corporate Notes	45,094	44,474	0.45 - 0.89%	7/8/15 - 6/24/16	1.394	AA	1.40%
Corporate Notes	33,367	32,300	0.49 - 0.65%	05/15/16	1.877	AAA	1.04%
Municipal Debt	152,151	152,115	0.65 - 0.83%	8/1/14 - 6/30/15	0.652	AA	4.74%
U.S. Treasuries	885,474	882,560	0.02 - 0.90%	7/3/14 - 3/31/17	1.731	AA	27.56%
Money Market Mutual Funds	110,615	110,615	0.01 - 0.04%	7/12/14 - 8/6/14	0.058	AAA	3.44%
	<u>\$ 3,212,597</u>	<u>\$ 3,205,903</u>			<u>1.274 (6)</u>		<u>100.00%</u>
<u>Educational Investment Pool (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 21,028	\$ 21,029	0.04 - 0.10%	7/2/14 - 8/13/14	0.079	A-1	0.65%
FNMA Bonds	449,045	448,564	0.08 - 1.65%	8/28/14 - 4/11/18	1.668	AA	13.80%
FFCB Bonds	182,610	182,382	0.08 - 0.61%	8/1/14 - 8/11/16	0.773	AA	5.61%
FHLB Discount Notes	72,597	72,601	0.02 - 0.08%	7/7/14 - 9/5/14	0.106	A-1	2.23%
FHLB Bonds	600,986	600,281	0.14 - 1.15%	7/2/14 - 5/22/18	1.732	AA	18.47%
FHLMC Discount Notes	67,121	67,135	0.03 - 0.16%	7/11/14 - 2/9/15	0.252	A-1	2.06%
FHLMC Bonds	467,383	466,493	0.16 - 0.99%	7/4/14 - 6/29/17	1.384	AA	14.36%
Negotiable Certificates of Deposit	35,504	35,500	0.17 - 0.26%	8/12/14 - 4/30/15	0.355	A-1	1.09%
Medium-Term Corporate Notes							
Corporate Notes	11,058	10,900	0.18 - 0.26%	7/15/14 - 2/11/15	0.326	A	0.34%
Corporate Notes	51,371	50,664	0.45 - 0.89%	7/8/15 - 6/24/16	1.394	AA	1.58%
Corporate Notes	38,011	36,797	0.49 - 0.65%	05/15/16	1.877	AAA	1.17%
Municipal Debt	173,332	173,290	0.65 - 0.83%	8/1/14 - 6/30/15	0.652	AA	5.33%
U.S. Treasuries	1,005,627	1,002,240	0.03 - 0.90%	7/31/14 - 3/31/17	1.739	AA	30.90%
Money Market Mutual Funds	78,328	78,328	0.01 - 0.04%	7/12/14 - 8/6/14	0.066	AAA	2.41%
	<u>\$ 3,254,001</u>	<u>\$ 3,246,204</u>			<u>1.423 (6)</u>		<u>100.00%</u>

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Specific Investments (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 6,245	\$ 6,246	0.08 - 0.12%	7/23/14 - 11/3/14	0.137	A-1	9.49%
FNMA Bonds	5,385	5,342	0.07 - 0.20%	8/25/14 - 2/19/15	0.216	AA	8.18%
FFCB Bonds	7,104	7,100	0.08 - 0.15%	7/7/14 - 11/19/14	0.061	AA	10.80%
FHLB Discount Notes	12,133	12,134	0.07 - 0.13%	7/2/14 - 11/28/14	0.097	A-1	18.44%
FHLB Bonds	2,449	2,445	0.08 - 0.35%	8/15/14 - 2/26/15	0.242	AA	3.72%
FHLMC Discount Notes	3,165	3,165	0.07 - 0.12%	7/11/14 - 10/6/14	0.145	A-1	4.81%
FHLMC Bonds	5,474	5,460	0.06 - 0.19%	7/15/14 - 1/15/15	0.158	AA	8.32%
GNMA Bonds	108	97	6.25%	09/20/29	15.236	AA	0.17%
Negotiable Certificates of Deposit	3,301	3,300	0.25 - 0.55%	8/12/14 - 2/26/15	0.412	A-1	5.02%
Medium-Term Corporate Notes							
Corporate Notes	2,323	2,300	0.18 - 0.33%	7/15/14 - 2/11/15	0.349	A	3.53%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	5.129	AA	1.64%
Money Market Mutual Funds	17,030	17,030	0.01 - 0.04%	7/12/14 - 8/6/14	0.007	AAA	25.88%
	<u>\$ 65,799</u>	<u>\$ 65,701</u>			<u>0.228 (6)</u>		<u>100.00%</u>
<u>With Trustees:</u>							
<u>Restricted Investments with Trustees (2)</u>							
U.S. Government Agencies							
FNMA Zero Coupon Bonds	\$ 142,843	\$ 72,806	0.00%	9/1/16-9/1/21	4.940	AA	41.85%
U.S. Treasuries	16,712	16,298	0.25-9.00%	9/30/14-11/15/18	1.110	AA	4.90%
U.S. Treasury Strips	341	54	0.00%	11/15/18	4.380	NR	0.10%
Guaranteed Investment Contracts	16,442	16,442	Variable	6/1/15-1/17/17	2.400	NR	4.82%
Money Market Deposit Accounts							
Money Market Deposit Accounts	3,743	3,743	Variable	07/01/14	0.001	AA	1.10%
Money Market Deposit Accounts	14,757	14,757	Variable	07/01/14	0.002	NR	4.32%
Money Market Mutual Funds							
Money Market Mutual Funds (3)	61,762	61,763	Variable	07/01/14	0.001	AAA	18.09%
Money Market Mutual Funds	77,147	77,168	Variable	07/01/14	0.002	NR	22.60%
Stable Value Fund	7,602	7,606	Variable	07/01/14	0.003	NR	2.22%
	<u>\$ 341,349</u>	<u>\$ 270,637</u>			<u>2.243 (6)</u>		<u>100.00%</u>
<u>With External Orange County Retirement System (OCERS):</u>							
Restricted Investments (4)	<u>\$ 185,471</u>						
<u>With State's Local Agency Investment Fund (LAIF):</u>							
Restricted Investment (5)	<u>\$ 5,087</u>				<u>0.636 (6)</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.

(2) Legend:

FFCB-Federal Farm Credit Bank
FNMA-Federal National Mortgage Association
FHLB-Federal Home Loan Bank
FHLMC- Federal Home Loan Mortgage Corporation
GNMA- Government National Mortgage Association

(3) Amount includes Orange County Development Agency's (OCDA) former assets that were transferred to the Successor Agency.

(4) The Retiree Medical Trust Reports \$185,471 of restricted investments with OCERS. Refer to Note 19 on obtaining OCERS Financial Statements. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at <http://www.ocers.org/finance/finance.htm>.

(5) The Law Library fund reports \$5,087 of restricted investments with LAIF. For more information regarding investments with LAIF, refer to the California State Treasurer's web site at <http://www.treasurer.ca.gov/pmia-laif/pmia.asp>.

(6) Portfolio weighted average maturity.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment in County of Orange Taxable Pension Obligation Bonds 2014, Series A

On January 14, 2014, the Extended Fund purchased the County issued Taxable Pension Obligation Bonds 2014, Series A (2014 POBs) in the principal amount of \$325,405. The 2014 POBs were issued with fixed coupon rates from .65% to .83% and maturities from August 2014 through June 2015. The obligation of the County to pay principal and interest on the 2014 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2014, the outstanding principal amount of the 2014 POBs is \$325,405. The bonds are rated AA- by S&P. The County's investment in the 2014 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 10, Short-Term Obligations and Note 18, Retirement Plans.

Temporary Transfers to Orange County School Districts

In April 2014, the Treasurer received requests from four Orange County school districts to make temporary transfers as required by state law and authorized by the Board's Resolution 13-016. The resolution authorizes the Treasurer to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the Treasurer as the banker for the school districts and will be repaid no later than July 31, 2014. At June 30, 2014, the outstanding temporary transfers from the OCEIP totaled \$75,000 and the related receivable and payable have been offset for financial reporting purposes.

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. 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 by investment type for the funds invested in the Pools are presented in the preceding table.

The OCIP funds of \$3,212,597 and the OCEIP funds of \$3,254,001 portfolio at June 30, 2014, have over 31.71% and 22.78%, respectively of the investments maturing in six months or less, 64.49% and 72.94% respectively, maturing between six months and three years and 3.80% and 4.28% respectively, maturing from three to five years.

As of June 30, 2014, variable-rate notes comprised 4.31% and 0.74% of the OCIP and OCEIP, respectively. The notes are tied to the Federal Funds rate, 90-day Treasury Bill rate, one-month and three-month London Interbank Offered Rate (LIBOR) with daily, weekly, monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to a market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset. For purposes of computing WAM, the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

The annual average daily investment balance of the OCIP and the OCEIP was \$3,342,632 and \$3,414,432, respectively, with an annual yield of 0.34% for both pools, for the year ended June 30, 2014.

Interest Rate Risk-Weighted Average Maturity (Money Market Funds)

At June 30, 2014, the OCMMF and OCEMMF amounted to \$741,112 and \$438,475, respectively. In accordance with the Board's formally approved IPS, the Treasurer manages the Pool's exposure to declines in fair value for deposits and investments by limiting the WAM to 60 days in the Money Market Funds. At June 30, 2014, the WAM of the OCMMF was 44 days and the OCEMMF was 57 days. At the same date, the NAV of the Money Market Funds for both pools was \$1.00 (in absolute dollar amounts).

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk-Duration (Extended Fund)

At June 30, 2014, the Extended Fund (which includes funds from both OCIP and OCEIP) balance was \$5,287,011. Of this amount, the OCIP owned 46.75% and the OCEIP owned 53.25%. In accordance with the IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to +25% of a leading 1-3 Year index (2.41). The portfolio duration for the Extended Fund as of June 30, 2014, was 1.61 years. This was computed using the Macaulay duration method, which calculates the maturity date of callable bonds using their final maturity date.

As of June 30, 2014, the Extended Fund had the following duration by investment type:

Investment Type	Fair Value (Amounts in Thousands)	Portfolio %	Macaulay Duration (In Years)
Medium-Term Corporate Notes	\$ 167,843	3.17%	1.58
Municipal Debt	325,483	6.16%	0.65
U.S. Treasuries	1,830,035	34.61%	1.78
U.S. Government Agencies	2,963,650	56.06%	1.61
Total Fair Value	<u>\$ 5,287,011</u>		
Portfolio Duration			1.61

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 any two of the following NRSROs: S&P, Moody's, or Fitch. For an issuer of short-term debt, the 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), while an issuer of long-term debt shall be rated no less than an "A" in the Money Market Funds and "AA" in the Extended Fund. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2014, the County's investments were in compliance with the IPS limits.

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, 2014, all investments were in compliance with state law and with the IPS. See the tables on pages 87 and 88 for concentrations of holdings in U.S. government agencies.

Foreign Currency Risk

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

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

B. **Investments (Continued)**

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 both pools are presented below as of and for the year ended June 30, 2014:

Entire Pool

Statement of Net Position

	County Investment Pool	Educational Investment Pool	Total
Net Position Held for Pool Participants	\$ 3,255,895	\$ 3,210,600	\$ 6,466,495
Equity of Internal Pool Participants	\$ 2,987,722	\$ --	\$ 2,987,722
Equity of External Pool Participants	270,745	3,213,864	3,484,609
Undistributed and Unrealized (Loss)	(2,572)	(3,264)	(5,836)
Total Net Position	\$ 3,255,895	\$ 3,210,600	\$ 6,466,495

Statement of Changes in Net Position

Net Position at July 1, 2013	\$ 3,098,892	\$ 3,255,500	\$ 6,354,392
Net Changes in Investments by Pool Participants	157,003	(44,900)	112,103
Net Position at June 30, 2014	\$ 3,255,895	\$ 3,210,600	\$ 6,466,495

External Pool Portion

Combining Statement of Fiduciary Net Position

	County Investment Pool	Educational Investment Pool	Total
<u>Assets</u>			
Pooled Cash/Investments	\$ 270,402	\$ 3,205,224	\$ 3,475,626
Receivables			
Interest/Dividends	441	5,575	6,016
Total Assets	270,843	3,210,799	3,481,642
<u>Liabilities</u>			
Due to Other Governmental Agencies	98	199	297
Total Liabilities	98	199	297
<u>Net Position</u>			
Restricted for Pool Participants	270,745	3,210,600	3,481,345
Total Net Position	\$ 270,745	\$ 3,210,600	\$ 3,481,345

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Combining Statement of Changes in Fiduciary Net Position

	County Investment Pool	Educational Investment Pool	Total
Additions:			
Contributions to Pooled Investments	\$ 566,784	\$ 6,148,785	\$ 6,715,569
Interest and Investment Income	971	15,642	16,613
Less: Investment Expense	(140)	(2,835)	(2,975)
Total Additions	<u>567,615</u>	<u>6,161,592</u>	<u>6,729,207</u>
Deductions:			
Distributions from Pooled Investments	512,136	6,206,492	6,718,628
Total Deductions	<u>512,136</u>	<u>6,206,492</u>	<u>6,718,628</u>
Change in Net Position Held in Trust For External Investment Pool	55,479	(44,900)	10,579
Net Position, Beginning of Year	<u>215,266</u>	<u>3,255,500</u>	<u>3,470,766</u>
Net Position, End of Year	<u><u>\$ 270,745</u></u>	<u><u>\$ 3,210,600</u></u>	<u><u>\$ 3,481,345</u></u>

C. Restricted Deposits and Investments with Trustees

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

D. CalOptima's Cash and Investments

Cash and investments as of June 30, 2014, consist of the following:

	2014
Cash on Hand	\$ 1
Cash Deposits	3,140
Restricted Cash Deposit	300
Cash Equivalents Sweep Account	37,668
Cash Equivalents	14,203
Investments	407,234
Total Cash and Investments	<u><u>\$ 462,546</u></u>

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. At June 30, 2014, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

4. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

Investments

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

Interest Rate Risk

In accordance with its annual investment policy (investment policy), CalOptima manages its exposure to declines 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. As of June 30, 2014, CalOptima's investments, including cash equivalents, had the following modified duration:

	2014	
	Fair Value	Modified Duration (Years)
U.S. Treasury Notes	\$ 151,425	0.447
U.S. Agency Notes	118,176	0.450
Corporate Bonds	87,064	0.310
Asset-Backed Securities	16,743	0.010
Mortgage-Backed Securities	13,671	0.011
Municipal Bonds	20,006	0.047
Money Market Funds	2,352	-
Repurchase Agreement	12,000	-
Total	<u>\$ 421,437</u>	<u>1.275</u>
Cash Equivalents	14,203	
Investments	<u>407,234</u>	
	<u>\$ 421,437</u>	

Investments 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	
	2014	
Asset-Back Securities	\$	16,743
Mortgage-Backed Securities		13,671

4. DEPOSITS AND INVESTMENTS (Continued)

D. CalOptima's Cash and Investments (Continued)

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 Ratings Services (S&P), Moody's Investors 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."

As of June 30, 2014, the 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-1	A-
U.S. Treasury Notes	\$151,425	N/A	\$ 151,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency Notes	118,176	N/A	-	118,176	-	-	-	-	-
Corporate Bonds	87,064	A-	-	1,769	11,384	11,924	26,429	31,208	4,350
Asset-Backed Securities	16,743	Aa	-	16,743	-	-	-	-	-
Mortgage-Backed Securities	13,671	Aa	-	13,671	-	-	-	-	-
Municipal Bonds	20,006	A	-	955	13,112	3,558	2,381	-	-
Repurchase Agreement	12,000	A2/A	-	12,000	-	-	-	-	-
Money Market Mutual Funds	2,352	AAA	-	2,352	-	-	-	-	-
Total	<u>\$421,437</u>			<u>\$ 151,425</u>	<u>\$ 165,666</u>	<u>\$ 24,496</u>	<u>\$ 15,482</u>	<u>\$ 28,810</u>	<u>\$ 31,208</u>
								<u>\$ 4,350</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 percent 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 percent may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35 percent on the amount of investment holdings with any one government-sponsored issuer and 5 percent for all other issuers. At June 30, 2014, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio at June 30, 2014:

Investment Type	Issuer	Percentage of Portfolio 2014
U.S. Agency Notes	Federal Home Loan Bank	11.90
U.S. Agency Notes	Federal Home Loan Mortgage Corporation	9.09
U.S. Agency Notes	Federal National Mortgage Association	7.28
U.S. Treasury Notes	United States Treasury	35.94

5. 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, 2014
	Balance July 1, 2013	Increases	Decreases	Adjustments	
Governmental Activities:					
Capital Assets Not Depreciated/Amortized:					
Land	\$ 813,921	\$ 3,240	\$ (1,658)	\$ (1,747)	\$ 813,756
Land Use Rights (Permanent)	3,199	3,793	--	--	6,992
Construction in Progress	171,381	123,262	(197,540)	110	97,213
Intangible in Progress	19,640	3,513	(1,526)	646	22,273
Total Capital Assets Not Being Depreciated/Amortized:	1,008,141	133,808	(200,724)	(991)	940,234
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,190,424	27,204	(4,816)	1,431	1,214,243
Equipment	351,946	15,041	(8,600)	(777)	357,610
Software	88,154	9,725	--	--	97,879
Land Use Rights (Amortizable)	571	--	(571)	--	--
Infrastructure:					
Flood Channels	1,035,875	134,219	(57)	17,656	1,187,693
Roads	203,840	37,162	(438)	(17,714)	222,850
Bridges	84,808	9,777	--	--	94,585
Trails	43,418	420	--	--	43,838
Traffic Signals	11,621	--	--	--	11,621
Harbors and Beaches	41,238	--	--	--	41,238
Capital Assets, Depreciable/Amortizable	3,051,895	233,548	(14,482)	596	3,271,557
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(578,960)	(32,210)	1,914	--	(609,256)
Equipment	(283,650)	(16,962)	7,651	--	(292,961)
Software	(33,914)	(13,390)	--	--	(47,304)
Land Use Rights (Amortizable)	(553)	--	553	--	--
Infrastructure:					
Flood Channels	(272,172)	(14,537)	57	--	(286,652)
Roads	(106,815)	(8,460)	319	--	(114,956)
Bridges	(32,707)	(2,020)	--	--	(34,727)
Trails	(29,872)	(1,364)	--	--	(31,236)
Traffic Signals	(10,356)	(172)	--	--	(10,528)
Harbors and Beaches	(27,110)	(1,007)	--	--	(28,117)
Total Accumulated Depreciation/Amortization	(1,376,109)	(90,122)	10,494	--	(1,455,737)
Capital Assets, Depreciable/Amortizable (Net)	1,675,786	143,426	(3,988)	596	1,815,820
Governmental Activities Total Capital Assets, Net	<u>\$2,683,927</u>	<u>\$ 277,234</u>	<u>\$ (204,712)</u>	<u>\$ (395)</u>	<u>\$ 2,756,054</u>

5. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2014
	Balance July 1, 2013	Increases	Decreases	Adjustments	
Business-Type Activities:					
Capital Assets Not Depreciated/Amortized:					
Land	\$ 38,083	\$ --	\$ --	\$ --	\$ 38,083
Construction in Progress	42,225	\$ 42,452	\$ (56,593)	\$ --	\$ 28,084
Intangible in Progress	842	--	(842)	--	--
Total Capital Assets Not Being Depreciated/Amortized:	81,150	42,452	(57,435)	--	66,167
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	739,217	32,240	(1,944)	94	769,607
Equipment	81,581	2,160	(1,451)	(94)	82,196
Software	--	856	--	--	856
Infrastructure	505,450	25,915	(303)	--	531,062
Capital Assets, Depreciable/Amortizable	1,326,248	61,171	(3,698)	--	1,383,721
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(215,502)	(22,329)	1,944	(37)	(235,924)
Equipment	(57,541)	(5,189)	1,447	37	(61,246)
Software	--	(47)	--	--	(47)
Infrastructure	(315,658)	(14,297)	303	--	(329,652)
Total Accumulated Depreciation/Amortization	(588,701)	(41,862)	3,694	--	(626,869)
Capital Assets, Depreciable/Amortizable (Net)	737,547	19,309	(4)	--	756,852
Business-Type Activities Total Capital Assets, Net	<u>\$ 818,697</u>	<u>\$ 61,761</u>	<u>\$ (57,439)</u>	<u>\$ --</u>	<u>\$ 823,019</u>

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

Government Activities:	
General Government	\$ 16,324
Public Protection	40,039
Public Ways and Facilities	13,230
Health and Sanitation	3,878
Public Assistance	4,909
Education	1,376
Recreation and Cultural Services	7,299
Internal Service Funds' Depreciation	
Expense Allocated to Various Functions	3,067
Total Governmental Activities	
Depreciation/Amortization Expense	<u>90,122</u>
Business-Type Activities:	
Airport	26,687
Waste Management	15,175
Total Business-Type Activities Depreciation/Amortization Expense	<u>41,862</u>
Total Depreciation/Amortization Expense	<u>\$ 131,984</u>

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 \$32,136 as of June 30, 2014. Of this amount, \$604 is not expected to be collected within the next fiscal year. This primarily consists of \$271 in expected recoveries from John Wayne Airport fixed-based operator lessees for pollution remediation costs, \$73 for three waste hauling companies that were under billed and will repay the County over the next three years and \$57 in invoices for damage to county vehicles.

Deposits Receivable

Deposits Receivable had a balance of \$5,360 as of June 30, 2014. Of this amount, \$5,197 is not expected to be collected within the next fiscal year. This primarily consists of \$2,883 in operating accounts for Dana Point Harbor operators and Green River Golf Course. \$756 represents operating funds deposited into a management account administered by Lewis Investment Company, LLC, for payment of costs related to the entitlement of the Greenspot Property located within the City of Highland. \$761 represents condemnation deposits with the court or state, \$400 represents a deposit required by the vendor per agreement with the Health Care Agency (HCA), \$116 represents a deposit with the U.S. Army Corps of Engineers for the regulatory permitting process on various maintenance projects, and \$100 represents an advance payment to the Discovery Science Center.

Notes Receivable

Notes Receivable had a balance of \$28,747 as of June 30, 2014. Of this amount, \$28,554 is not expected to be received within the next fiscal year. This primarily consists of \$25,727 for loans to build affordable, low to moderate income, and senior housing. \$2,030 is for housing loans for the Mental Health Services Act (MHSA). The remaining \$797 is for loans provided to first time home buyers.

Due from Other Governmental Agencies

Due from Other Governmental Agencies had a balance of \$481,528 as of June 30, 2014. Of this amount, \$98,169 is not expected to be received within the next fiscal year, which primarily consists of \$97,201 owed by the State of California to the County for various Senate Bill (SB90) mandated cost reimbursements for programs and services the State requires the County to provide. In addition, \$669 is owed by the State for the Workforce Investment Act (WIA) Individual Training Accounts; part of the WIA activities includes training for participants to attend training classes at approved schools in order to obtain employment. \$208 is for the Disability & Healthcare Insurance Fraud Program due to reduced funding of grants because of low collections.

7. INTERFUND RECEIVABLES AND PAYABLES

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

7. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2014 is as follows:

Due from/to other funds:

Payable Funds	Receivable Funds									Total
	General Fund	Roads	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	Waste Management	Compressed Natural Gas	Internal Service Funds	
General Fund	\$ -	\$ 72	\$ 114	\$ 2,868	\$ 30,020	\$ 1	\$ 799	\$ 2	\$ 1,904	\$ 35,780
Roads	2,291	-	743	-	147	-	3,074	-	4	6,259
Flood Control District	8,703	638	-	-	79	-	156	-	7	9,583
Other Public Protection	7,375	-	-	-	6	-	-	-	13	7,394
Teeter Plan Notes	2	-	-	-	-	-	-	-	-	2
Other Governmental Funds	38,514	1,349	18	1	64	-	1	-	65	40,012
Airport	2,111	-	-	1	-	-	-	-	590	2,702
Waste Management	2,190	1,498	14	-	1	-	-	-	57	3,760
Compressed Natural Gas	29	-	-	-	-	-	-	-	2	31
Internal Service Funds	2,741	-	-	-	11	-	-	-	1	2,753
Total	\$ 63,956	\$ 3,557	\$ 889	\$ 2,870	\$ 30,328	\$ 1	\$ 4,030	\$ 2	\$ 2,643	\$ 108,276

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – Children and Families Commission of Orange County	\$ 455

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 from/to other funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Fund	\$ 3,800
Waste Management	General Fund	3,134

The interfund loans represent an advance to the Courthouse Construction Fund from the General Fund to backfill the deficit as a result of a state audit of court revenues for the period FY 2003-04 through FY 2011-12, and an advance made to the General Fund from Waste Management for various information technology capital projects.

8. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable 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 noncancelable operating leases with air carriers and concessionaires, and the Waste Management 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, 2014, approximates \$56,034, net of accumulated depreciation.

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2014 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2015	\$ 13,717	\$ 51,307
2016	12,062	38,161
2017	11,749	26,277
2018	11,594	25,451
2019	10,841	16,522
	<u>59,963</u>	<u>157,718</u>
2020-2024	50,442	33,251
2025-2029	45,010	15,876
2030-2034	46,499	3,171
2035-2039	46,058	--
2040-2044	2,974	--
2045-2049	363	--
	<u>191,346</u>	<u>52,298</u>
Total future minimum rentals	<u>\$ 251,309</u>	<u>\$ 210,016</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$26,367 (Enterprise Funds), \$3,972 (Other Governmental Funds), \$542 (Internal Service Funds) and \$336 (Flood Control District) for the year ended June 30, 2014.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014 were as follows:

Transfer Out Funds	Transfer In Funds							Total
	General Fund	Roads	Flood Control District	Other Public Protection	Other Governmental Funds	Waste Management	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 3,292	\$ 82,635	\$ 16	\$ 2,768	\$ 88,711
Flood Control District	2,839	-	-	-	-	-	-	2,839
Other Public Protection	16,304	-	-	-	1,586	-	39	17,929
Other Governmental Funds	166,856	500	-	-	2,452	-	-	169,808
Waste Management	17,223	-	-	-	-	-	-	17,223
Compressed Natural Gas	-	-	350	-	-	-	-	350
Internal Service Funds	35	-	300	2	-	-	-	337
Total	<u>\$ 203,257</u>	<u>\$ 500</u>	<u>\$ 650</u>	<u>\$ 3,294</u>	<u>\$ 86,673</u>	<u>\$ 16</u>	<u>\$ 2,807</u>	<u>\$ 297,197</u>

Interfund transfers reflect a flow of assets between funds and blended component units of the primary government without an equivalent flow of assets in return. Routine 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) make available cash distributions based on the Bankruptcy Recovery Plan, (5) contribute resources to comply with Proposition 63 Mental Health Services Act and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. The details of the significant transfers are outlined below:

Routine Transfers

From the General Fund

- \$35,019 was transferred to the Other Governmental Funds Fund in connection with debt service payments for various County debt issues.
- \$16,926 was transferred to Other Governmental Funds to distribute available cash to the remaining claimants of the bankruptcy loss as part of the Bankruptcy Recovery Plan.
- \$11,835 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- \$1,565 was transferred to Internal Service Funds for medical reimbursements.
- \$1,443 was transferred to Other Public Protection for the annual transfer of PSST excess revenue to meet future public protection needs.
- \$1,439 was transferred to Other Governmental Funds to pay for operating costs and debt service obligations associated with parking facilities.
- \$1,423 was transferred to the Other Governmental Funds for various capital projects at the Sheriff's Department.

From Flood Control District

- \$2,839 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- \$6,795 was transferred to the General Fund for the reimbursement of the District Attorney's programs.
- \$2,933 was transferred to the General Fund to support the Sheriff Department's operations.
- \$1,707 was transferred to the General Fund for the Sheriff-Coroner's Backbone Cost Sharing Program.

9. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

From Other Governmental Funds

- \$123,867 was transferred to the General Fund for the reimbursement of various County programs as follows:
 - \$100,808 for Proposition 63, Mental Health Services Act expenses
 - \$9,565 for the Social Services Agency Wraparound Program
 - \$9,198 for emergency medical services
 - \$4,296 for the Center for Disease Control pandemic flu H1N1 costs
- \$34,967 of tobacco settlement monies was transferred to the General Fund to finance Health Care Agency's various health care programs and Sheriff Department's operational costs.
- \$4,978 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.
- \$2,403 was transferred to Other Governmental Funds for reimbursement of debt service obligations associated with parking facilities.

From Enterprise Funds

- \$17,223 was transferred from Waste Management to the General Fund primarily to pay bankruptcy related obligations in accordance with the County's comprehensive recovery plan.

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

Non-Recurring Transfers

From the General Fund

- \$9,595 was transferred to Other Governmental Funds due to unanticipated revenues in excess of current year needs to cover future allowable expenses for the Health Realignment.
- \$5,082 was transferred to Other Governmental Funds primarily for the maintenance and repair of various Criminal Justice Facilities.

From Other Governmental Funds

- \$1,080 was transferred to the General Fund for the reimbursement of the Alcohol & Drug Assessment and Automated Vital Health Statistics program.

From Other Public Protection

- \$4,498 was transferred to the General Fund for reimbursement of various Clerk-Recorder eligible operating expenditures.
- \$1,491 was transferred to Other Governmental Funds for reimbursement expenditures for various Sheriff-Coroner's construction and facility development.

10. SHORT-TERM OBLIGATIONS

Taxable Pension Obligation Bonds, 2013 Series A

On January 14, 2013, the County issued Taxable Pension Obligation Bonds, 2013 Series A (the "2013 POBs") in the principal amount of \$268,360. The 2013 POBs were issued in order to prepay the County's FY 2013-14 pension obligation. The 2013 POBs were issued as standard bonds, with five fixed rate tranches, and a final maturity date of June 30, 2014. The obligation of the County to pay principal and interest on the 2013 POBs is imposed by law and is absolute and unconditional. The County repaid in full the outstanding balance of the bonds on June 30, 2014.

10. SHORT-TERM OBLIGATIONS (Continued)

Taxable Pension Obligation Bonds, 2014 Series A

On January 14, 2014, the County issued Taxable Pension Obligation Bonds, 2014 Series A (the "2014 POBs") in the principal amount of \$325,405. The 2014 POBs, combined with \$21,474 in County funds, were issued in order to prepay a portion of the County's FY 2014-15 pension contribution at a discount. The County issued the 2014 POBs in five fixed rate maturities with the final maturity on June 30, 2015. The County sold the 2014 POBs with interest rates between .65% and .83% depending on maturity in a direct purchase by the Orange County Treasurer on behalf of the Orange County Investment Fund. As of June 30, 2014, the outstanding principal amount of the 2014 POBs reported in the General Fund was \$325,405. Refer to Note 4, Deposits and Investments, and Note 18, Retirement Plans, for additional information.

Description	Balance July 1, 2013	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2014	Amounts Due within One Year
<u>County of Orange</u>					
<u>Taxable Pension Obligation</u>					
<u>Bonds, 2013 Series A</u>					
Date Issued: January 14, 2013					
Interest Rate: 0.58% to 0.76%					
Original Amount: \$268,360					
Maturing in installments through June 30, 2014	268,360	--	(268,360)	--	--
<u>County of Orange</u>					
<u>Taxable Pension Obligation</u>					
<u>Bonds, 2014 Series A</u>					
Date Issued: January 14, 2014					
Interest Rate: 0.65% to 0.83%					
Original Amount: \$325,405					
Maturing in installments through June 30, 2015	--	325,405	--	325,405	325,405
Total	\$ 268,360	\$ 325,405	\$ (268,360)	\$ 325,405	\$ 325,405

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, 2014, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$5,596,864. 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.

Bankruptcy Obligations

Refunding Recovery Bonds 2005, Series A

On August 18, 2005, the County issued its \$146,005 Refunding Recovery Bonds 2005 Series A (2005 Recovery Bonds) at a premium of \$9,318. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the Recovery Refunding Bonds 1995 Series A (1995 Recovery Bonds), were used to refund and defease the outstanding 1995 Recovery Bonds and pay costs of issuance for the 2005 Recovery Bonds. As of June 30, 2014, the outstanding principal amount, including the premium of the 2005 Recovery Bonds, and interest were \$19,172 and \$878, respectively.

Lease Revenue Refunding Bonds, Series 2005

On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its \$419,755 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds) at a premium of \$19,973. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the 1996 Recovery Certificates of Participation (Recovery COPs), were used to defease certain non-callable Recovery COPs, the remainder was used to fund a debt service reserve fund for the Series 2005 Bonds, and pay costs of issuance of the Series 2005 Bonds. As of June 30, 2014, the outstanding principal amount, including the premium of the Series 2005 Bonds, and interest were \$92,826 and \$7,705, respectively.

The Series 2005 Bonds are limited obligations of the OCPFA payable through July 2017, and are payable solely from base rental payments to be made by the County pursuant to a lease, dated as of August 1, 2005, between the OCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

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 are payable through December 2018. At June 30, 2014, the outstanding principal amount and interest accretion of the Refunding COPs were \$2,262 and \$8,364, respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation.

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 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, 2014, the outstanding principal amount, including the premium of the Series 2012 Bonds, and interest were \$27,975 and \$3,407, respectively.

The bonds are special obligations of the SOCPFA payable solely from and secured by the base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2012, between the SOCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Lease Revenue Bonds, Series 2006

On October 19, 2006, the OCPFA issued its \$32,700 Lease Revenue Bonds, Series 2006 (Series 2006 Bonds) at a premium of \$2,140. The Lease Revenue Bonds, payable through June 2018, were issued to finance the construction of a cogeneration conversion project at the County's central utility facility, fund a debt service reserve fund for the bonds, and pay costs relating to the issuance of the bonds. As of June 30, 2014, the outstanding principal amount, including the premium of the Series 2006 Bonds, and interest were \$16,314 and \$1,907, respectively.

The bonds are limited obligations of the OCPFA payable solely from and secured solely by, revenues of the Authority, consisting primarily of certain rental payments to be made by the County pursuant to, and as defined in the lease.

Taxable Refunding Pension Obligation Bonds, Series 1996A and 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 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 will be reported in the County's financial statements until it is fully redeemed. As of June 30, 2014, the outstanding principal amounts for the Series 1996A and 1997A Pension Bonds were \$13,393 and \$18,800, respectively and the interest accretion balances were \$42,675 and \$52,338, respectively.

Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the County 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

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Airport Revenue Bonds, Series 2009A and 2009B (Continued)

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 the construction of the new Terminal C, Parking Structure C, and two new commuter/regional holdrooms at the north and south ends of the extended Terminal. For the year ended June 30, 2014, the interest expense incurred and the amount included as part of the cost of capital assets under construction for the 2009A and 2009B Bonds were \$10,708 and \$508, respectively. As of June 30, 2014, the outstanding principal amount, including net premium, of the 2009A and 2009B Bonds were \$62,712 and \$147,092, respectively, and the outstanding interest were \$48,746 and \$82,692, respectively.

The 2009A and 2009B Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenues and (4) available Passenger Facility Charges (PFC) revenues. The 2009A and 2009B Bonds are payable through July 2039. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For the year ended June 30, 2014, the principal and interest paid and total net revenues were \$17,600 and \$46,577, respectively. The total net revenues pledged include \$11,193 available PFC revenues.

Waste Management System Refunding Revenue Bonds, Series 1997

In November 1997, the OCPFA issued, in the principal amount of \$77,300, Waste Management System Refunding Revenue Bonds Series 1997 in order to refund the County of Orange, California, 1988 COPs. The Waste Management System Bonds are secured by a pledge of (1) the net operating revenues; (2) all money, securities and funds in the Waste Management Enterprise Fund that are required to be held or set aside therein for any purpose other than the payment of operating expenses pursuant to the terms of the sublease, but excluding any such money, securities and funds in the (i) closure account or any other fund or account required pursuant to state or federal law to be held in trust, (ii) environmental account in an amount not exceeding \$50,000, (iii) postclosure reserve account, or (iv) that were borrowed or received to pay capital costs and excluding any deposits or net incremental solid waste system revenues or any deposits that are required to be made in the rebate account; and (3) to the extent permitted by and in accordance with the procedures established under any applicable law, any rights of the County under any approvals, licenses and permits relating to the system. Orange County Waste and Recycling (OCWR) paid in full the outstanding balance of the bonds on December 2, 2013.

Advance Refunding

In prior years, various bonds, COPs and other obligations have been advance refunded. These obligations are considered defeased and the long-term debt liability has been removed from the related governmental funds and enterprise funds. As of June 30, 2014, \$12,960 of legally defeased debt remains outstanding.

Fiscal Year 2013-14 Debt Obligation Activity

During FY 2013-14, the following events concerning County debt obligations took place:

Teeter Plan Notes

On February 1, 2013, the County issued its three-year tax exempt Teeter Plan Notes with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association. The Teeter Plan Notes are authorized for a total amount of \$150,000 and certain delinquent taxes (excluding penalties and interest) are pledged revenues for the Teeter Plan Notes. The rate for the Teeter Plan Notes will be based on the weekly SIFMA index + 0.58%.

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2013-14 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

All of the Teeter Plan Notes will be issued within three years of February 1, 2013, with a maturity date of January 29, 2016. The total amount of the notes issued was \$57,935, which reflects the issuance of the Teeter Plan Notes and the establishment of a Cost of Issuance Fund in the amount of \$188.

On July 16, 2013, the County issued an additional \$39,639 in Teeter Plan B Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$83,125. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

On December 30, 2013 and June 26, 2014, the County used all of the accumulated base taxes to redeem \$31,268 and \$12,027, respectively, of the Teeter Plan Notes. As of June 30, 2014, the outstanding principal amount of the Teeter Plan Notes was \$39,830. For additional information regarding the Teeter Plan Notes, refer to Note 20, Subsequent Events.

Airport Revenue Refunding Bonds, Series 2003

On May 29, 2003, the County issued the Airport Revenue Refunding Bonds, Series 2003 (2003 Bonds) in the amount of \$48,680 to refund \$65,250 of outstanding 1993 Revenue Bonds. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,828. The Airport called and redeemed the 2003 Bonds on July 1, 2013 with outstanding carrying principal balance of \$23,685.

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2013-14

The table below summarizes the revenue bonds and certificates outstanding and related activity for the year ended June 30, 2014. The beginning balance of the long-term liabilities has been restated to remove the deferred amount on refunding due to the implementation of GASB Statement No. 65:

Description	Balance July 1, 2013 (As Restated)	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2014	Amounts Due within One Year
<u>Governmental Activities:</u>						
<u>County of Orange</u>						
<u>Refunding Recovery Bonds - 2005 Series A:</u>						
Date Issued: August 18, 2005 to Refund and						
Defease the Outstanding Refunding Recovery						
Bonds - Series 1995A						
Interest Rate: 3.00% to 5.00%						
Original Amount: \$146,005						
Maturing in Installments Through June 1, 2015.						
	\$ 37,399	\$ (1,512)	\$ --	\$ (16,715)	\$ 19,172	\$ 19,172
<u>Orange County Public Financing Authority</u>						
<u>Lease Revenue Refunding Bonds, Series 2005:</u>						
Date Issued: August 16, 2005 to Refund and						
Defease the 1996 Recovery Certificates of						
Participation - Series 1996A.						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$419,755						
FY 2013-14 Principal and Interest: \$18,429						
FY 2013-14 Total Pledged Revenues: \$29,949						
Maturing in Installments Through July 1, 2017.						
	114,120	(1,469)	--	(19,825)	92,826	22,438
<u>Orange County Public Facilities Corporation</u>						
<u>Refunding Certificates of Participation:</u>						
<u>(Civic Center Parking Facilities Project)</u>						
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 2013-14 Principal and Interest: \$2,605						
FY 2013-14 Total Pledged Revenues: \$2,459						
Maturing in Installments Through						
December 1, 2018.						
	2,822	--	--	(560)	2,262	518
Interest Accretion on CAB						
	9,525	--	884	(2,045)	8,364	2,090
<u>South Orange County Public Financing Authority</u>						
<u>Juvenile Justice Center Facility Lease Revenue</u>						
<u>Refunding Bonds - Series 2012</u>						
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 2013-14 Principal and Interest: \$5,823						
FY 2013-14 Total Pledged Revenues: \$5,825						
Maturing in Installments Through June 1, 2019.						
	32,762	(107)	--	(4,680)	27,975	5,029

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2013-14 (Continued)

Description	Balance July 1, 2013 (As Restated)	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2014	Amounts Due within One Year
<u>Orange County Public Financing Authority</u>						
<u>Lease Revenue Bonds, Series 2006</u>						
Date Issued: October 19, 2006						
Interest Rate: 4.00% to 5.00%						
Original Amount: \$32,700						
FY 2013-14 Principal and Interest: \$4,199						
FY 2013-14 Total Pledged Revenues: \$29,949						
Maturing in Installments Through June 1, 2018.						
	\$ 19,883	\$ (279)	\$ --	\$ (3,290)	\$ 16,314	\$ 3,768
<u>County of Orange</u>						
<u>Taxable Refunding Pension</u>						
<u>Obligation Bonds - Series 1996 A:</u>						
Date Issued: June 1, 1996 - Current Interest						
Rate Bonds (CIB)						
Date Issued: June 12, 1996 - Capital Appreciation						
Bonds (CAB)						
To Refund the Taxable POBs Series 1994 B						
Interest Rate: CIB - 7.47% to 7.72%						
Interest Rate: CAB - 8.09% to 8.26%						
Original Amount: CIB - \$81,680						
Original Amount: CAB - \$40,000						
Maturing in Installments Through September 1,						
2010 (CIB) and September 1, 2016 (CAB).						
	16,464	--	--	(3,071)	13,393	2,378
Interest Accretion on CAB	47,044	--	4,836	(9,205)	42,675	7,959
<u>County of Orange</u>						
<u>Taxable Refunding Pension</u>						
<u>Obligation Bonds - Series 1997 A:</u>						
Date Issued: January 1, 1997 - Current Interest						
Rate Bonds (CIB)						
Date Issued: June 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						
Maturing in Installments Through September 1,						
2010 (CIB) and September 1, 2021 (CAB).						
	21,461	--	--	(2,661)	18,800	2,588
Interest Accretion on CAB	53,515	--	5,675	(6,852)	52,338	7,435
<u>County of Orange</u>						
<u>Teeter Plan Notes</u>						
Date of Original Issuance: February 1, 2013						
Interest Rate: SIFMA Index + 0.58%						
Original Amount: \$57,935						
Maturing on January 29, 2016						
	43,486	39,639	--	(43,295)	39,830	--
Subtotal - Governmental Activities	\$ 398,481	\$ 36,272	\$ 11,395	\$ (112,199)	\$ 333,949	\$ 73,375

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2013-14 (Continued)

Description	Balance July 1, 2013 (As Restated)	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2014	Amounts Due within One Year
<u>Business-Type Activities</u>						
<u>Airport Revenue Refunding Bonds -</u>						
<u>Series 2003:</u>						
Date Issued: May 29, 2003 to Refund 1993 Airport Revenue Bonds Issue						
Interest Rate: 2.50% to 5.00%						
Original Amount: \$48,680						
FY 2013-14 Principal and Interest: \$24,268						
FY 2013-14 Total Pledged Revenues: \$35,384						
Maturing in Installments Through July 1, 2018.						
	\$ 23,685	\$ --	\$ --	\$ (23,685)	\$ --	\$ --
<u>Airport Revenue Bonds -</u>						
<u>Series 2009A and 2009B:</u>						
Date Issued: July 9, 2009						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$233,115						
FY 2013-14 Principal and Interest: \$17,600						
FY 2013-14 Total Pledged Revenues: \$46,577						
Maturing in Installments Through July 1, 2039.						
	216,855	(263)	--	(6,788)	209,804	7,268
<u>Orange County Public Financing Authority</u>						
<u>Waste Management System Refunding</u>						
<u>Revenue Bonds - Series 1997:</u>						
Date Issued: November 18, 1997 to Refund \$77,445 of the OCPFC 1988 Certificate of Participation (Solid Waste Management System)						
Interest Rate: 4.375% to 5.75%						
Original Amount: \$77,300						
FY 2013-14 Principal and Interest: \$7,072						
FY 2013-14 Total Pledged Revenues: \$29,360						
Maturing in Installments Through December 1, 2013.						
	7,020	--	--	(7,020)	--	--
Subtotal - Business-Type Activities	<u>247,560</u>	<u>(263)</u>	<u>--</u>	<u>(37,493)</u>	<u>209,804</u>	<u>7,268</u>
Total	<u>\$ 646,041</u>	<u>\$ 36,009</u>	<u>\$ 11,395</u>	<u>\$ (149,692)</u>	<u>\$ 543,753</u>	<u>\$ 80,643</u>

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

The beginning balance of the long-term liabilities has been restated to remove the deferred amount on refunding due to the implementation of GASB Statement No. 65. The following is a schedule of all long-term debt service requirements to maturity by fund type on an annual basis.

Fiscal Year(s) Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 52,054	\$ 24,121	\$ 6,995	\$ 10,603	\$ 93,773
2016	78,738	35,379	7,205	10,339	131,661
2017	54,721	35,652	7,530	9,999	107,902
2018	18,347	15,003	7,880	9,622	50,852
2019	8,193	14,688	8,275	9,239	40,395
2020-2024	5,448	28,097	47,880	39,416	120,841
2025-2029	--	--	61,505	25,117	86,622
2030-2034	--	--	31,234	11,686	42,920
2035-2039	--	--	26,585	5,254	31,839
2040-2044	--	--	6,180	163	6,343
Total	217,501	152,940	211,269	131,438	713,148
Add: Premium/(Discount)	13,071	--	(1,465)	--	11,606
Add: Interest Accretion on CAB	103,377	--	--	--	103,377
Total	\$ 333,949	\$ 152,940	\$ 209,804	\$ 131,438	\$ 828,131

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2014, were as follows:

	Balance July 1, 2013 (As Restated)	Additions	Reductions	Balance June 30, 2014	Due within One Year
Governmental Activities:					
Bonds, COPs and Notes Payable:					
Revenue Bonds	\$ 153,455	\$ --	\$ (27,795)	\$ 125,660	\$ 29,015
Certificates of Participation	2,822	--	(560)	2,262	518
Pension Obligation Bonds	37,925	--	(5,732)	32,193	4,966
Recovery Bonds	34,271	--	(16,715)	17,556	17,555
Teeter Plan Notes	43,486	39,639	(43,295)	39,830	--
Add: Premium/(Discount) on Bonds Payable	16,438	--	(3,367)	13,071	3,837
Total Bonds, COPs, and Notes Payable	288,397	39,639	(97,464)	230,572	55,891
Interest Accretion on CAB	110,084	11,395	(18,102)	103,377	17,484
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	175,177	135,865	(136,057)	174,985	88,558
Arbitrage Rebate Payable	471	184	--	655	--
Capital Lease Obligations Payable	67,353	--	(4,907)	62,446	4,013
Insurance Claims Payable	209,224	104,718	(110,843)	203,099	51,498
SARI Line Loans	59,892	--	(12,482)	47,410	11,133
Estimated Liability - Litigation and Claims	150,000	1,129	--	151,129	6,129
Capital Asset Obligation	--	310	--	310	--
Total Other Long-Term Liabilities	662,117	242,206	(264,289)	640,034	161,331
Total Long-Term Liabilities					
For Governmental Activities	\$ 1,060,598	\$ 293,240	\$ (379,855)	\$ 973,983	\$ 234,706

11. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2013 (As Restated)	Additions	Reductions	Balance June 30, 2014	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 248,762	\$ --	\$ (37,493)	\$ 211,269	\$ 6,995
Add: Premium/(Discount) on Bonds Payable	(1,202)	--	(263)	(1,465)	273
Total Revenue Bonds Payable, Net	247,560	--	(37,756)	209,804	7,268
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	5,048	3,811	(3,776)	5,083	2,388
Arbitrage Rebate Payable	231	46	(277)	--	--
Landfill Site Closure/Postclosure Liabilities *	173,693	8,092	(1,674)	180,111	1,674
Pollution Remediation Obligation **	13,957	214	(433)	13,738	559
Total Other Long-Term Liabilities	192,929	12,163	(6,160)	198,932	4,621
Total Long-Term Liabilities For Business-Type Activities	\$ 440,489	\$ 12,163	\$ (43,916)	\$ 408,736	\$ 11,889

* 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.

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2014 is \$174,985. 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.

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans

On June 12, 2007, the Board approved a financing agreement between the Orange County Flood Control District (OCFCD) and Orange County Sanitation District (OCSD) for an amount equivalent to 60% (\$60,000) of an estimated total project cost of \$100,000. Concurrently, the Board also approved a financing agreement between the OCFCD and the Santa Ana Watershed Project Authority (SAWPA) for an amount equivalent to 10% (\$10,000) of the total project cost. The loan proceeds will be used for the relocation of the SARI Line between Prado Dam and Weir Canyon Road for the following public benefits: protection of the sewer line from erosion, increased Prado Dam water releases, protection of the water supply, and uninterrupted use of the sewer line by residents. Subsequently, the agreements were amended to reflect the actual total project cost based on the awarded construction contracts. The SARI Line Project cost is not expected to exceed \$85,560 plus 15% contingencies in the amount of \$12,834 for a total of \$98,394. The OCFCD would contribute the remaining 30% (\$29,518) that would be expended to complete the SARI Line Project. As part of the terms of the agreement, the OCFCD agrees to pay SAWPA and OCSD as State subvention funding for the SARI Line Project is received by OCFCD. Repayment installments will be made within 30 days of OCFCD's receipt of State subvention funding in an amount equivalent to 10% of the funds received being paid to SAWPA and 60% of the funds received being paid to OCSD. The OCFCD is required to repay the entire loan to OCSD and SAWPA no later than July 1, 2022, regardless of whether OCFCD receives any State subvention funds for the SARI Line Project. For funds loaned by OCSD, interest shall accrue on the unpaid balance from July 1, 2018, at an annual interest rate of 2% until the unpaid balance is repaid. As for funds loaned by SAWPA, interest shall accrue on any such unpaid balance from July 1, 2018, at the State of California Local Agency Investment Fund interest rate in effect on July 1, 2018. To date, OCFCD received a \$51,336 (60%) loan from OCSD and \$8,556 (10%) from SAWPA based on the total project cost excluding contingencies. In May 2011, the Board

11. LONG-TERM OBLIGATIONS (Continued)

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans (Continued)

awarded the construction contract for the SARI Yorba Linda Spur in the amount of \$7,210, and the Board awarded the construction contract for the SARI Mainline in the amount of \$42,000 in August 2011. In February 2013, construction of the SARI Yorba Linda Spur was completed and the total amount paid to the contractor was \$7,067. Construction of the SARI Mainline is ongoing. As of June 30, 2014, the total outstanding loan principal was \$47,410.

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 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, 2014, amounted to \$398,920.

12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

From 1980 through 2014, 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 an indebtedness or liability of the County and neither the County, the State of California nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds and 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, 2014, there were 26 series of bonds outstanding, with an aggregate principal amount payable of \$331,268.

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

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 FY 2013-14 Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations 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.

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 reflect the custodial role accepted by the successor agency. As of June 30, 2014, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and interest were \$38,069 and \$9,214, respectively.

The bonds do not constitute an indebtedness or liability of the County and neither the County, the State of California nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds and 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

Commitments Under Operating Leases

The County is committed under various operating leases, primarily for office buildings, office equipment and other equipment. The following is an approximation of future minimum operating leases and commitments:

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2015	\$ 1,535	\$ 28,030	\$ 29,565
2016	37	24,662	24,699
2017	22	16,392	16,414
2018	--	12,089	12,089
2019	--	10,542	10,542
2020 - 2024	--	31,767	31,767
2025 - 2029	--	182	182
Total	<u>\$ 1,594</u>	<u>\$ 123,664</u>	<u>\$ 125,258</u>

Total expenditures for equipment rentals and building and improvements incurred for FY 2013-14 was \$41,498.

13. LEASES (Continued)

Capital Leases

The following is an analysis of property leased under capital leases:

Land	\$ 17,688
Structures and Improvements	75,401
Less: Accumulated Depreciation	<u>(32,258)</u>
Total	<u>\$ 60,831</u>

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30</u>	
2015	\$ 8,574
2016	8,762
2017	8,987
2018	9,172
2019	9,351
2020-2024	39,577
2025-2029	<u>5,557</u>
Total Minimum Lease Payments	89,980
Less: Amount Representing Interest	<u>(27,534)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 62,446</u>

14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require OC Waste and Recycling (OCWR) to place final covers on its landfill sites when the landfills stop accepting waste, and to perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, OCWR 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 each balance sheet date.

OCWR 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, 2014 was \$180,111. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (28.53% for FRB, 74.66% for Olinda Alpha and 19.00% for Prima Deshecha), less actual costs disbursed related to both closure and postclosure of the Santiago and Coyote Canyon landfills. OCWR will recognize the remaining estimated cost of closure and postclosure care of \$193,961 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013 dollars (using the 2013 inflation factor of 1.015). OCWR has enough landfill capacity to operate the system for a minimum of twenty-five years. However, OCWR intends to operate the landfills well beyond this period as a result of approved and planned expansions.

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

In compliance with Title 27- Environmental Protection of California Code of Regulations, OCWR makes annual cash contributions 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. Also in compliance with regulations, OCWR has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure costs. The agreements state that OCWR pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if OCWR ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. OCWR 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, 2014, a total of \$90,583 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Statement of Net Position as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs. This amount includes what OCWR has proactively prefunded for closure and postclosure care.

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, Estimated Liability for Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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, "Fund Balance Reporting and Governmental Fund Type Definitions," the County's total significant encumbrances for governmental funds in the aggregate are reported as follows, at June 30, 2014:

General Fund	\$	45,545
Roads		24,024
Flood Control District		50,277
Other Public Protection		2,399
Other Governmental Funds		22,598
Total Encumbrances for Governmental Funds	\$	<u>144,843</u>

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

Construction Commitments

At June 30, 2014, 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	
Human Resources Recentralization	\$ 1,206
	<u>1,206</u>
Roads	
Cow Camp Road Segment I Phase 1A and 1B, Antonio Parkway to "I" Street	3,320
Lincoln Avenue Bridge Widening over Santa Ana River	2,611
	<u>5,931</u>
Flood Control District	
Newland Storm Channel Confluence to Bolsa	15,474
Santa Ana River Interceptor Line Project	6,051
Trabuco Creek Channel Phase 7	4,535
Los Alamitos Pump Station and Pump House	3,726
Fletcher Channel and Retarding Basin - From Santa Ana River to Upstream	2,973
Edinger Storm Channel Improvement	2,728
Rossmoor Channel - Los Alamitos Boulevard to Rochelle Street	1,958
	<u>37,445</u>
Other Governmental Funds	
Irvine Ranch Historic Park Upgrade of 7 Historic Buildings	3,195
Purchase of Law Enforcement and Social Services Agency Vehicles	1,500
San Clemente Library Expansion Project	1,353
	<u>6,048</u>
Business-Type Activities:	
Airport	
Terminals A and B Baggage Handling System Enhancements	4,137
Parking Structure C, Phase 2	2,662
Perimeter Road West Reconstruction Phase II	1,245
	<u>8,044</u>
Waste Management	
Frank R. Bowerman East Flank Excavation and Drainage Improvement and Design	10,133
	<u>10,133</u>
Total Commitments	<u><u>\$ 68,807</u></u>

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/Project is to prevent the 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 impacts to the population and property. The Project

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

Construction Commitments (Continued)

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 \$2,289,000. OCFCD's combined cost share is estimated to be \$784,130 for the entire Santa Ana River Project. As of June 30, 2014, the OCFCD has expended about \$583,343 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 underway. 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 escrow for purchase of the Green River Golf Course was closed on September 29, 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 is expected to be completed in January 2015. 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 the earliest date for construction of Phase II would be September 2017. As an alternative, the Corps may elect to make Phase II part of the contract awarded to construct the Prado Dam Spillway, which is planned for some time in the year 2020. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of \$6,000. The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2014, OCFCD has submitted \$362,686 in claims, and received \$330,121 in reimbursements. An additional \$29,673 in claims is in the process of being prepared for submittal to the DWR. Of the total amount outstanding, \$7,173 was accrued as revenue, \$45,578 was reported as a deferred inflow 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.

At this time, the OCFCD will not have sufficient funds to meet its entire cost share obligation for the Project, due to estimated cost increases that were not initially or fully contemplated in the COE's prior estimates, and because of delays in receiving State Subvention Program reimbursements. If State reimbursements are more promptly received, the OCFCD should be able to complete acquisition of real property and perform relocations and meet its cost share obligations to complete the Project. Therefore, reimbursement on past expenses through the State Subvention Program is critical for Project completion.

OCFCD is also seeking deferral of a portion of its cost share obligations for the Prado Dam Project as allowed through Section 103(a)(4) of the Water Resources Development Act (WRDA) of 1986. Under this Section,

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

Construction Commitments (Continued)

OCFCD may have the ability to defer payment of a portion of its cost share obligations (those which exceed 30% of total project costs), until after project completion, and reimburse the Federal Government over a period of 15 years after the project is finished. The steps necessary to exercise this Section of WRDA 1986 are being discussed between OCFCD and COE.

Contingencies

Grants

The County participates in a number of Federal and State grants programs subject to financial and compliance audits by the grantors or representatives. Audits of certain grant programs for or including the year ended June 30, 2014 have not yet been conducted or settled. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures that may be disallowed by the grantor cannot be determined at this time. The County expects such amounts, if any, to be immaterial.

Third Party Payor Agreement and the Medical Services Initiative

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform which was implemented on January 1, 2014.

Under the Waiver, the County received payments under the LIHP. The non-Federal share of these payments was provided by the County's Medical Services Initiative primarily through certified public expenditures, whereby the County would expend its local funding for services to draw down the federal financial participation. The LIHP is a coverage program for low-income uninsured adults that was included as part of California's Section 1115 Medicaid Waiver. The program expanded the previous Health Care Coverage Initiative (HCCI) and allowed for a transition to the anticipated health reform.

The LIHP covered a subset of the Medical Services Initiative (MSI) population. MSI is a State and County funded healthcare program that provides medical care for the County's low-income citizens. It provides a full range of medical services for County residents 19 through 64 years of age. All program participants are assigned to a "medical home" that coordinates all aspects of their care and assures the appropriate referral to other providers as needed.

The MSI program contracted with all of the County's key clinics and hospitals and provided integrated care through contractual relationships with surgery centers, skilled nursing facilities, urgent care facilities, "Minute Clinics" and a variety of diagnostic centers and programs. Financial eligibility was determined on a case-by-case basis; however, only persons with annual incomes below 200% of the Federal Poverty Level were eligible. In applying for the program, proof of County residency and U.S. citizenship or legal residency was required. The MSI Program ended December 31, 2013 with the majority of the MSI population eligible for either the forthcoming Medi-Cal expansion or subsidized commercial insurance through the health insurance exchange. The County used a third party administrator to process claims for LIHP and MSI participants related to services provided by all health care providers. The third party administrator invoiced the County monthly for claims processed and had six months after the end of each contract year to reconcile and submit a final settlement invoice followed by a final State reconciliation invoice, thus final settlements and final reconciliations may not be known until the fiscal year after services were provided. Revenues recognized under the LIHP program approximated \$56,796 for the year ended June 30, 2014, which included \$26,983 related to services provided in prior fiscal years. The County does not have adequate information to estimate the final settlement amount for services provided in FY 2013-2014 nor sufficient information for final reconciliation for prior years pending State review, thus these revenues and related expenses will be recognized in the subsequent fiscal year(s).

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

Contingencies (Continued)

Third Party Payor Agreement and the Medical Services Initiative (Continued)

Laws and regulations governing Medi-Cal programs are complex and subject to interpretation. The County believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from Medi-Cal programs.

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. For information regarding accrued liabilities for self-insurance claims incurred but not reported, refer to Note 16, Self-Insurance.

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 Internal Service Funds (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. In the past three fiscal years, there were no losses that impacted the County's excess insurance coverage.

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 3.50% in the Workers' Compensation ISF and 2.50% 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 Worker's 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

16. SELF-INSURANCE (Continued)

Casualty Risk ISFs are based upon guidelines established by the State Controller's Office for cost plan allocations.

The County has established: the Unemployment Insurance ISF, which covers all employees and is paid through the State of California; the County self-insured PPO Health Plans ISF, which provides health plan benefits; and the Health and Other Self-Insured Benefits ISF, which provides dental and short-term disability benefits for a portion of the County's employees and accidental death and dismemberment (AD&D) benefit for Reserve Deputy Sheriffs.

The County's Premier Wellwise, Choice Wellwise, Wellwise Retiree, Premier Sharewell, Choice Sharewell, and Sharewell Retirees have no lifetime coverage maximums. The dental insurance coverage is up to \$1,500 annually (absolute dollars) 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 is up to 26 weeks and an additional 79 weeks of benefits coverage through the Federal-State Extended Duration program 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 Insurance	Total
Unpaid Claims, Beginning of FY 2012-13	\$ 146,251	\$ 44,678	\$ 1,533	\$ 11,150	\$ 203,612
Claims and Changes in Estimates	38,410	20,008	1,400	61,454	121,272
Claim Payments	(30,424)	(22,109)	(1,220)	(61,907)	(115,660)
Unpaid Claims, End of FY 2012-13	154,237	42,577	1,713	10,697	209,224
Claims and Changes in Estimates	33,438	6,708	165	64,407	104,718
Claim Payments	(36,934)	(10,037)	(1,095)	(62,777)	(110,843)
Unpaid Claims, End of FY 2013-14	\$ 150,741	\$ 39,248	\$ 783	\$ 12,327	\$ 203,099

17. ESTIMATED LIABILITY FOR POLLUTION REMEDIATION

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," requires state and local governments to provide the public with better 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 John Wayne Airport (JWA) and OC Waste and Recycling (OCWR) 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 JWA and OCWR.

John Wayne Airport (JWA)

In 1988 and 2006, JWA 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, JWA began to monitor and remediate the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

In 2008, the sites were sampled as part of an assessment and the results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, JWA'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

17. ESTIMATED LIABILITY FOR POLLUTION REMEDIATION (Continued)

John Wayne Airport (JWA) (Continued)

remediation that includes remedial technologies such as soil vapor extraction, dual phasing sparging and bioremediation.

JWA started implementing the new remediation method in the fiscal year ended June 30, 2011 and the sites are estimated to be remediated in about six to ten years. JWA is still performing tests on the sites and the results could possibly affect the estimated pollution remediation liability as well as a change to the remedial technologies used to remediate the sites. As of June 30, 2014, JWA has a liability of \$1,058 based on management's assessment and the results of the consultant's evaluation.

In 1995, JWA entered into 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 Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is \$311 as of June 30, 2014.

The estimated pollution remediation obligation as of June 30, 2014 is:

Old Fuel Farm Site	\$	785
Former Fire Station # 33 Site		692
Less: Remediation Activity		(419)
JWA Pollution Remediation Obligation	\$	<u>1,058</u>

Orange County Waste and Recycling (OCWR)

Five closed sites were identified. 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 as of June 30, 2014 after deducting actual pollution remediation expenses incurred is \$12,680.

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (City) 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 the City, requiring the City to remedy the landfill gas exceedences and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, the City and the Huntington Beach City School District (School District) issued the Notices of Intent to sue under the Resource Conservative and Recovery Act, and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. The City's and School District's claims were tolled until June 2006 under a tolling agreement with the County. The City, County and School District entered into a Settlement Agreement in 2007, whereby the City 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 that the wastes have been buried, and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$70.

Lane Road Former Refuse Disposal Station The site located in the City of Irvine 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 owners requiring them to remedy the landfill gas exceedences and to control potential offsite migration of landfill gases. In response to the LEA's

17. ESTIMATED LIABILITY FOR POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR) (Continued)

Lane Road Former Refuse Disposal Station (Continued)

Notice and Order, a claim was filed with CEO Risk Management. The County entered into a Settlement Agreement with the property owners 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, then will most likely either be inactive or 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 fewer anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$353.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$3,785.

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 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. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$144.

The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$1,325

La Veta Former Refuse Disposal Station Located in the City of Orange, La Veta is a former burn, dump and refuse disposal station leased to and operated by the County from 1946 to 1956. The site has multiple owners and was developed into a YMCA facility, apartments, a mobile home park and a small amount of open space. Recently, the County learned that the Californian Department of Toxic Substances Control (DTSC) and the United States Environmental Protection Agency had previously performed limited soil and groundwater testing at the site. According to DTSC, the results of these tests indicated that further site assessment was warranted. DTSC requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County conducted a series of additional site investigations and assessments. Based on the findings of the site investigations, the YMCA is performing required methane monitoring. The County reimburses the YMCA for the costs associated with the monitoring efforts.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano, was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, proposed a change in land use for the property and has notified the County of its position that the County was responsible for re-closure of the site to meet current commercial and

17. ESTIMATED LIABILITY FOR POLLUTION REMEDIATION (Continued)

Orange County Waste and Recycling (OCWR) (Continued)

Forster Former Refuse Disposal Station (Continued)

redevelopment requirements. The County disputed responsibility for site development related costs. In early 2010, the City of 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 the City 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 (CEQA) approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County.

Total 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 expected to be released within a five year period, 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.

The remaining balance for landfill gas remediation at the Forster site is \$7,500. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

The estimated pollution remediation obligation as of June 30, 2014 is:

Cannery	\$	70
Lane Road		3,785
San Joaquin		1,325
Forster		7,500
OCWR Pollution Remediation Obligation	\$	<u>12,680</u>

18. RETIREMENT PLANS

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in the Orange County Employees Retirement System (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 County Board of Supervisors (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 a statutory 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. Such annual contributions consist primarily of two components: the so-called "normal cost" contribution and the amortized portion of the "unfunded actuarial accrued liability" (UAAL) contribution, to the extent an UAAL exists.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

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 issues an audited stand-alone annual financial report for each year ending December 31. The most recent report can be obtained online at 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.

According to OCERS most recent public report, entities paying into the OCERS, also known as plan sponsors, include the County of Orange, City of San Juan Capistrano, Orange County Cemetery District, Children and Families Commission of Orange County, Orange County Department of Education (closed to new members), OCERS, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission, Orange County Public Law Library, Orange County Sanitation District, Orange County Superior Court, Orange County Transportation Authority, Transportation Corridor Agencies, and the University of California, Irvine Medical Center and Campus (closed to new members). The County payments represent approximately 82% of the total plan sponsor payments into OCERS. According to the most recent actuarial report, OCERS was 66% funded as of December 31, 2013.

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. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the Board through the collective bargaining process with County employees in accordance with the Retirement Law.

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 County Employees Retirement Law of 1937, the OCERS Board has the sole authority to grant STAR COLA each year. The OCERS Board understands that granting STAR COLA may increase the UAAL and therefore asks for comments from plan sponsors prior to voting on this issue. Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 529 retirees (of which 518 are County retirees) who retired before April 1, 1981, 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.

Funding Policy: In accordance with various Board's 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. Orange County employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2013-14, employer's contributions, as a percentage of covered payrolls, were 32.95% for General members, 50.86% for Safety-Law Enforcement members and 36.57% for Safety-Probation members, as determined by the December 31, 2011, actuarial valuation.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Funding Policy (Continued)

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 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 of Orange (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 (see section below) with an employer match.

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, 2014, \$109,986 of such proceeds remains available for future credits to the County's pension obligations. For the fiscal year ended June 30, 2014, the County utilized \$10,000 of the County Investment Account to meet its Annual Required Contribution. The County's total contribution to OCERS, including in certain years a drawdown from the County Investment Account, for the year ended June 30, 2014 is \$348,597, equal to the required contributions for each year.

On January 14, 2014, the County issued its short-term Taxable Pension Obligation Bonds, 2014 Series A in the amount of \$325,405. The Bond proceeds were combined with \$21,474 in contributions from certain County agencies and departments to prepay the estimated FY 2014-15 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 7.25% discount or \$25,134 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$22,149 to the County. Refer to Note 4, Deposits and Investments, and Note 10, Short-term Obligations, for additional information.

County Administered Pension Plans

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 retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County of Orange 1.62% Defined Contribution Plan for the benefit of employees in the 1.62% at 65 retirement formula.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

County of Orange - 1.62% at 65 Retirement, 401(a) Defined Contribution Plan (Continued)

Plan Description (Continued)

On September 12, 2012, the Governor signed the Public Employees' Pension Reform Act (PEPRA) of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% @ 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% @ 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the 1.62% @ 65 retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. The employee acquires a vested interest in the employer contribution account upon attaining normal retirement age, or early retirement age because of death or disability. If an employee terminates prior to early or normal retirement date for any other reason than death or disability, the employee is only entitled to a vested interest of 100% of the employer contribution after five years of service.

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, 2014, the plan had 183 active participants and 7 inactive participants.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2014, 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 year ended June 30, 2014, were \$120 by the County and zero by the employees.

Teachers Insurance and Annuity Association of America (TIAA) serves on behalf of the County as the third party administrator of the plan and will hold all plan assets in trust. Plan participants will self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2014, the value of plan assets was \$166.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to the participants. The investment management fees charged for the 401(a) funds managed by TIAA will be deducted from the earnings each quarter.

County of Orange 401(a) Defined Contribution Plan

Plan Description: Effective January 1, 1999, as amended and restated on May 1, 2013, the Board established the County of Orange 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 in 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 included in the Executive Policy Unit effective June 23, 2006. 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, 2014, the plan has 669 active participants and 24 inactive participants.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

County of Orange 401(a) Defined Contribution Plan (Continued)

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 3% to 8% of bi-weekly compensation. Additional County contributions equal to 1.5% of compensation are made on behalf of elected officials electing not to participate in OCERS. Individuals elected or appointed to the Board on or after June 5, 2012 are required by Orange County Ordinance to participate in OCERS and may not receive the additional 1.5% of compensation. Total contributions for the year ended June 30, 2014, were \$908 by the County and zero by the employees. Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. Plan participants self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2014, the value of plan assets was \$13,320.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to the participants. The investment management fees for the 401(a) funds managed by Great West Retirement Services are deducted from the earnings each quarter.

Extra-Help Defined Benefit Plan

Plan Description: The plan is a single-employer defined benefit retirement plan for employees performing services based on less than half-time or as extra-help. 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 two percent of the participant's career earnings during the final 30 years of credited service. The current normal retirement benefit for a participant who retires on or after the normal retirement date is the present value (or lump sum value) of the monthly annuity of the normal retirement benefit. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th 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 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, 2014, the plan consists of 32 active plan participants, 240 terminated plan participants entitled to but not yet receiving benefits, and 39 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 County Treasurer charges its normal investment management fee related to the Pension Trust Fund's participation in the County Pool.

Funding Policy: 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 has contributed \$4,483. For the fiscal year ended June 30, 2014, the County contributed the actuarially determined contribution of \$421, which is equal to normal cost plus 10-year amortization of the UAAL.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, the normal cost is \$0 due to the plan freeze.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Pension 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 and assets as of June 30, 2013, rolled forward to June 30, 2014 using actual benefit payments for the fiscal year ending June 30, 2014. In both the 2013 valuation and the 2014 roll forward calculation the actuarial assets are valued at market value. The actuary has determined the County's actuarially determined contribution using the entry age normal actuarial cost method, which is (a) normal cost, plus (b) 10-year amortization of the Unfunded Actuarial Accrued Liability (UAAL). For fiscal year ended June 30, 2014, the County's actuarially determined contribution was \$421. Further information on the County's net pension liability and contributions can be found in the Required Supplementary Information (RSI) section following the notes to the basic financial statements.

Investment policy: The County Board of Supervisors has sole authority for establishing and amending the Plan's investment policy. 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).

Concentrations: The Plan held 100% of its investments in the Orange County Investment Pool (OCIP). See Note 4, Deposits and Investments for information about OCIP. The Plan has stated its investments in OCIP at fair value based on information provided by OCIP.

Rate of return: For the year ended June 30, 2014, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 0.26 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County:

The components of the Net Pension Liability of the County at June 30, 2014 were as follows:

Total Pension Liability	\$ 8,592
Plan's Fiduciary Net Position	(5,201)
County's Net Pension Liability	<u>\$ 3,391</u>

Plan Fiduciary Net Position as a percentage of the Total Pension Liability	60.5%
---	-------

Actuarial Assumptions: The actuarial assumptions included (a) 3.0% inflation, (b) 3.25% 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 5.0%, and (d) RP-2000 Combined Healthy Mortality Table with a three year set back. 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. The UAAL is amortized as a level dollar on an open basis. The amortization period is 10 years.

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 OCIP plus expected inflation, rounded to the nearest 0.25%. As of June 30, 2014, OCIP was invested 100% in the major asset class of Cash & Equivalents. The best estimate of the long-term expected arithmetic real rate of return for this asset class (net of investment expense and inflation) is 0.37%.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 3.25%, the long-term expected rate of return on plan assets. Since this expected long-term rate of return is less than the municipal bond rate, 3.25% was used as the discount rate for all years.

Sensitivity of the Net Pension Liability to changes in the discount rate: The following presents the Net Pension Liability of the County, calculated using the discount rate of 3.25%, as well as what the County's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.25%) or 1-percentage-point higher (4.25%) than the current rate:

	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Net Pension Liability	\$ 3,606	\$ 3,391	\$ 3,206

The table below shows the County's annual pension costs, the percentages contributed, and the net pension obligations (asset) for the current fiscal year and each of the two prior fiscal years.

Orange County Defined Benefit Plan Schedule of Employer Contributions

Fiscal Year Ended	County Contribution	Total Annual Pension Cost	Percentage Contributed	Net Pension Obligation/(Asset)
6/30/2012	\$ 928	\$ 229	405%	\$ (60)
6/30/2013	1,309	279	469%	(1,090)
6/30/2014	695	436	159%	(1,349)

Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on July 1, 2011, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for 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. 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, 2014, there were 3,617 active participants and 258 inactive participants in the plan.

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 Stable Value Fund offered through Great West Retirement Services, which is designed to protect principal and maximize earnings. Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. There is no additional

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Contribution Plan (Continued)

Funding Policy (Continued)

contribution made by the County. Total employee contributions for the year ended June 30, 2014, were \$1,341 by the employees and zero by the County. As of June 30, 2014 the value of plan assets was \$7,602.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to the participants. The investment management fee charged by Great West Retirement Services for the Stable Value Fund is deducted from the interest earnings each quarter as a percentage of the interest rate credited.

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 year ended June 30, 2014:

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
<u>Assets</u>					
Pooled Cash/Investments	\$ 5,195	\$ 5,195	\$ -	\$ -	\$ -
Restricted Cash/Investments with Trustee	21,088	-	7,602	13,320	166
Receivables:					
Interest/Dividends	6	6	-	-	-
Total Assets	<u>26,289</u>	<u>5,201</u>	<u>7,602</u>	<u>13,320</u>	<u>166</u>
<u>Liabilities</u>					
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>					
Restricted for Pension Benefits	26,289	5,201	7,602	13,320	166
Total Net Position	<u>\$ 26,289</u>	<u>\$ 5,201</u>	<u>\$ 7,602</u>	<u>\$ 13,320</u>	<u>\$ 166</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
Additions:					
Contributions to Pension Trust:					
Employer	\$ 1,449	\$ 421	\$ -	\$ 908	\$ 120
Employee	1,341	-	1,341	-	-
Interest and Investment Income	1,351	19	135	1,183	14
Less: Investment Expense	(4)	(4)	-	-	-
Total Additions	<u>4,137</u>	<u>436</u>	<u>1,476</u>	<u>2,091</u>	<u>134</u>
Deductions:					
Benefits Paid to Participants	2,049	695	791	563	-
Total Deductions	<u>2,049</u>	<u>695</u>	<u>791</u>	<u>563</u>	<u>-</u>
Change in Net Position for Employees' Retirement	2,088	(259)	685	1,528	134
Net Position at July 1, 2013	24,201	5,460	6,917	11,792	32
Net Position at June 30, 2014	<u>\$ 26,289</u>	<u>\$ 5,201</u>	<u>\$ 7,602</u>	<u>\$ 13,320</u>	<u>\$ 166</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 single employer defined benefit Other Postemployment Benefit (OPEB) plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the County Board of Supervisors (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.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County 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 the Orange County Employees Retirement System (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 2013 was \$19.91 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$497.75 (absolute dollars). The base number for calendar year 2014 is \$20.51 (absolute dollars) per year of County service, and the maximum monthly Grant is \$512.75 (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 of the Qualified Health Plan and Medicare premiums.

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 and/or Medicare 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. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees 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 the American Federation of State, County and Municipal Employees (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 if they meet the minimum plan requirements.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

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) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Law enforcement management 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 law enforcement management 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 (Health Reimbursement Arrangement) 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 employees enrolled in the AOCDS health plans have been 10% higher than active employees.

Funding Policy: The County implemented an employer contribution in an amount equal to the Annual Required Contribution (ARC) for the affected labor groups except AOCDS. 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. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on December 31, which includes the Retiree Medical Trust. The CAFR can be obtained online at www.ocers.org. by request, in writing, to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

The County is currently setting aside contributions of 0.6% for AFSCME, 1.8% for AOCDS, 4.8% for law enforcement management, 3.6% for the Probation Department safety personnel and 3.5% of payroll for all other labor groups, which is the estimated ARC for those groups. Additionally, employees represented by AOCDS and law enforcement management employees hired before April 4, 2009 contribute 3.6% of base payroll while employees hired on or after April 4, 2009 contribute 2%. Effective July 25, 2014, contributions for employees represented by AOCDS were reduced to 2.6% and 1%, respectively.

Funds were initially deposited into the Trust in December 2007, with subsequent deposits made throughout each fiscal year. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions: The County contracts with an outside actuarial consultant, Bartel Associates, LLC (Bartel) to prepare a bi-annual actuarial valuation in conformance with GASB Statement No. 45. The County received a June 30, 2013 valuation for fiscal years 2013-14 and 2014-15 for the Retiree Medical Plan (the Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the UAAL over 30 years as a level percentage of payroll (23 years remaining as of June 30, 2014)
- A 7.25% long-term expected rate of return on funds held in the Trusts
- A 3.75% per annum payroll increase assumption

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Actuarial Methods and Assumptions (Continued):

- A 3.25% per annum general inflation rate assumption
- The 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 through 2021 and beyond. Therefore, it is the Grant annual increase rather than the healthcare trend that affects the projected benefits and the UAAL.
- There are an estimated 25,682 participants in the plan of which 17,705 are employees, 38 are deferred retirees, and 7,939 are retirees.

Annual OPEB Cost and Net OPEB Obligation/Asset: The County's annual OPEB cost is calculated based on the ARC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost, the amount actually contributed to the 115 and 401(h) Trusts, and changes in the County's Net OPEB Obligation (NOO) for the current year:

	FY 2013-14
Total Annual Required Contribution	\$ 43,298
Interest on Net OPEB Asset	(3,030)
Amortization on Net OPEB Asset	2,868
Annual OPEB Cost	43,136
Contributions Made	(50,060)
Increase in Net OPEB Asset	(6,924)
Net OPEB Asset, Beginning of year	(41,805)
Net OPEB Asset, End of year	<u>\$ (48,729)</u>

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOO for FY 2013-14 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2012	\$ 40,840	86%	\$ (35,966)
6/30/2013	42,497	114%	(41,805)
6/30/2014	43,136	116%	(48,729)

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2013 is as follows:

Actuarial Accrued Liability (AAL)	\$ 573,763
Actuarial Value of Plan Assets	155,702
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 418,061</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	27.1%
Covered Payroll	\$ 1,173,062
UAAL as Percentage of Covered Payroll	35.6%

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Funded Status and Funding Progress (Continued):

The above noted actuarial accrued liability was based on the June 30, 2013 actuarial valuation. 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 contained in the Report 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. Assumptions used in the Report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Current estimates of the funded status and trend information about the funding progress and the employer contributions are presented in the Required Supplementary Information section following the notes to the basic financial statements.

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a Memorandum of Understanding (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 with an effective date of October 12, 2007. The HRA Plan is not required by California Public Employees' Retirement Law (CERL). The plan is intended for funding the reimbursement accounts of eligible employees on a pre-tax basis and reimbursing the eligible unreimbursed and substantiated qualified medical expenses of retired participants.

On March 10, 2009, the Board approved the restructuring of the Retiree Medical Benefit and establishment of a Defined Contribution Plan HRA for law enforcement management employees effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current law enforcement management employees' frozen service hour accruals for the Grant.

The HRA is intended to comply with the requirements of Internal Revenue Code (IRC) Sections 105 and 106, and meets the requirements of a health reimbursement arrangement as defined under Internal Revenue Service (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 employer or the plan administrator to comply with federal, state, or local laws, statutes, regulations, or guidelines. Reimbursement of qualified medical expenses was deferred until the selection and implementation of the third party administrator. Administration of the HRA by the third party administrator began in August 2009. As of June 30, 2014, the plan had 2,236 active and 263 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS and were effective June 19, 2009 for law enforcement management employees. All contributions to the HRA are deemed to be employer contributions whether made directly by the employer or as a mandatory employee contribution. Employee contributions for employees represented by AOCDS are mandatory pursuant to the MOU and mandatory pursuant to Board action for law enforcement management employees. For employees represented by AOCDS, the County contributes 3.0% of compensation each pay period. Employees represented by AOCDS are required to contribute 2.0% of compensation each pay period. For law enforcement management employees, the County contributes 1.0% of compensation each pay period. Law enforcement management employees in the HRA are required to contribute 1.0% of compensation each pay period.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Funding Policy (Continued)

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA and holds HRA assets in trust. HRA participants self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2014, the value of HRA assets was \$64,087.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to participants. The management fees for the funds managed by ICMA are deducted from the participants' earnings each quarter.

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, 2014:

<u>Statement of Fiduciary Net Position</u>	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
<u>Assets</u>			
Pooled Cash/Investments	\$ 6,156	\$ 6,111	\$ 45
Restricted Cash and Investments with Trustee	63,661	-	63,661
Restricted Cash with OCERS	185,471	185,471	-
Interest Receivable	12	12	-
Due from Other Governmental Agencies	2,681	2,300	381
Total Assets	<u>257,981</u>	<u>193,894</u>	<u>64,087</u>
<u>Liabilities</u>			
Due to Other Governmental Agencies	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>			
Restricted for OPEB Benefits	257,981	193,894	64,087
Total Net Position	<u>\$ 257,981</u>	<u>\$ 193,894</u>	<u>\$ 64,087</u>

<u>Statement of Changes in Fiduciary Net Position</u>	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:			
Employer Contributions:	\$ 52,669	\$ 44,271	\$ 8,398
Employee Contributions:	5,789	5,789	-
Interest and Investment Income	27,900	20,396	7,504
Less: Investment Expense	(46)	(46)	-
Total Additions	<u>86,312</u>	<u>70,410</u>	<u>15,902</u>
Deductions:			
Benefits Paid to Participants	29,982	28,962	1,020
Total Deductions	<u>29,982</u>	<u>28,962</u>	<u>1,020</u>
Change in Net Position	<u>56,330</u>	<u>41,448</u>	<u>14,882</u>
Net Position at July 1, 2013	<u>201,651</u>	<u>152,446</u>	<u>49,205</u>
Net Position at June 30, 2014	<u>\$ 257,981</u>	<u>\$ 193,894</u>	<u>\$ 64,087</u>

20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2014:

Redevelopment Successor Agency to the Orange County Development Agency Neighborhood Development and Preservation Project Tax Allocation Refunding Bonds, Issue of 2014: At its December 19, 2013 meeting, the Oversight Board directed staff to proceed with refunding the Tax Allocation Refunding Bonds, Series 2001 Neighborhood Development and Preservation Project. On June 17, 2014, acting as the Successor Agency to the Orange County Development Agency (OCDa) the Board of Supervisors authorized the issuance and sale of the Tax Allocation Refunding Bonds. On August 20, 2014, the Successor Agency to OCDa issued Tax Allocation Refunding Bonds for the Neighborhood Development and Preservation Project Area in the principal amount of \$14,090. The Bonds were issued to redeem the outstanding Tax Allocation Refunding Bonds, Series 2001 and are secured by a pledge of property tax revenues from the Neighborhood Development and Preservation Project Area. The Bonds were issued for a debt service savings and have a final maturity of September 1, 2022.

Teeter Plan Notes: On July 15, 2014, the County issued an additional \$31,541 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$71,371. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. For additional information regarding the Teeter Plan Notes, refer to Note 11, Long-Term Obligations.

Orange County Development Agency (OCDa) RDA Asset Transfer Review: On February 5, 2008, the County of Orange awarded a construction contract, in the amount of \$21,052 to Woodcliff Corporation for the development of the Tustin Family Campus Project, a 14 unit transitional family housing complex at the former MCAS Tustin. Due to the nature of the project, the County's Social Services Agency (SSA) was designated as the Project Leader. On June 21, 2011, the County of Orange and the former Orange County Development Agency (OCDa) entered into an Agreement, by which OCDa would grant \$4,500 in low and moderate income housing bonds and housing set-aside funds to the County to cover construction costs directly associated with the development of 14 affordable housing units. In return, the units are rent and occupancy restricted to eligible families and individuals for a term of fifty-five (55) years. The funding of the Tustin Family Campus was comprised of low and moderate income housing bond funds and housing set-aside funding.

The County received a "Finding of Completion" from the Department of Finance in 2012. A Finding of Completion, pursuant to HSC § 34179.7, is only granted when the Department of Finance determines that any amounts owed to the affected taxing entities, pursuant to the statutorily required due diligence review of the Low and Moderate Income Housing Fund, have been remitted (see, HSC §§ 34179.5, 34179.6, 34179.7). At least two levels of independent review, the Successor Agency's external auditor and the Department of Finance, have determined that the Successor Agency's use of Low and Moderate Income Housing Funds was appropriate. However, on October 13, 2014 the State Controller's Office (SCO) Division of Audits / Mandated Costs Audits Bureau advised the Housing Asset Fund (former OCDa) of their intent to proceed with their "clawback" (the term used by the State) finding in the amount of \$4,500 regarding the Tustin Family Campus project. The Housing Asset Fund continues to wait for the final audit report to be issued to assess the exact financial impact this "clawback" will end up being given that 69% of this \$4,500 is bond funds not subject to "clawback."





Ronald W. Caspers Wilderness Park



Required Supplementary Information
(Dollar Amounts in Thousands)

Orange County Extra-Help Defined Benefit Plan

**Schedule of Changes in the County's Net Pension Liability
and Related Ratios**

	2014
Total Pension Liability	
Service cost	\$ -
Interest	282
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(695)
Net change in Total Pension Liability	(413)
Total Pension Liability-beginning	9,005
Total Pension Liability-ending (a)	<u>\$ 8,592</u>
 Plan Fiduciary Net Position	
Contributions-employer	\$ 421
Contributions-member	-
Net investment income	15
Benefit payments, including refunds of member contributions	(695)
Administrative expense	-
Other	-
Net change in Plan Fiduciary Net Position	(259)
Plan Fiduciary Net Position- beginning	5,460
Plan Fiduciary Net Position-ending (b)	<u>\$ 5,201</u>
 County's Net Pension Liability-ending (a) – (b)	 <u><u>\$ 3,391</u></u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 60.53%
 Covered employee payroll	 \$ 1,876
 County's Net Pension Liability as a percentage of covered employee payroll	 180.76%

Schedule of Investment Returns

	2014
Actual money-weighted rate of return, net of investment expense	0.26%

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 Contributions

	2014
Actuarially determined contribution	\$ 421
Contributions in relation to the actuarially determined contribution	421
Contribution deficiency (excess)	<u>\$ 0</u>
Covered employee payroll	\$ 1,876
Contributions as a percentage of covered - employee payroll	22.44%

Notes to Schedule

Valuation date June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Remaining amortization period	10 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	n/a
Investment rate of return	3.25%
Retirement age	100% retirement at age 65
Mortality	RP-2000 Combined Healthy Mortality Table set back 3 years
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 5% long-term assumption

Orange County Retiree Medical Plan

Schedule of Funding Progress

For Years Ended June 30

Actuarial Valuation as of June 30 (1)	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)
2009	\$ 94,110	\$ 456,005	\$ 361,895	20.6%	\$ 1,267,427	28.6%
2011	116,804	528,639	411,835	22.1%	1,273,636	32.3%
2013	155,702	573,763	418,061	27.1%	1,173,062	35.6%

(1) The County's outside actuarial consultant, Bartel Associates, LLC prepares a bi-annual actuarial valuation in conformance with GASB Statement No. 43 and 45.





Ronald W. Caspers Wilderness Park



MAJOR GOVERNMENTAL DEBT SERVICE FUND

GASB Statement No. 34 requires budgetary comparisons in Required Supplementary Information (RSI) for the General Fund and for each Major Special Revenue Fund that has a legally adopted annual budget. Governments may elect to report the budgetary comparison information in a budgetary comparison statement as part of the basic financial statements, rather than as RSI, which is where the County of Orange has elected to present those required budgetary comparisons. However, GASB Statement No. 34 clearly limits the budgetary comparison requirements to only the General Fund and the Major Special Revenue Funds. Governments do not have the option of presenting budgetary comparisons for other funds in conjunction with the basic financial statements or RSI, which is why the following budgetary comparison schedule for the Major Governmental Debt Service fund is located in Supplemental Information.

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.

**BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Revenues & Expenditures on Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Teeter Plan Notes				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	\$ 15,000	\$ 15,000	\$ 11,705	\$ (3,295)
Use of Money and Property	300	300	235	(65)
Bond Issuance Proceeds	-	97,574	97,574	-
Total Revenues and Other Financing Sources	<u>15,300</u>	<u>112,874</u>	<u>109,514</u>	<u>(3,360)</u>
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	15,300	112,874	58,439	54,435
Total Expenditures and Other Financing Uses	<u>15,300</u>	<u>112,874</u>	<u>58,439</u>	<u>54,435</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	51,075	<u>\$ 51,075</u>
Fund Balances - Beginning of Year	7,877	7,877	7,877	
Fund Balances - End of Year	<u>\$ 7,877</u>	<u>\$ 7,877</u>	<u>\$ 58,952</u>	

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 Investment 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 is comprised of two funds. The operating 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 all users and visitors may experience the unique Dana Point Harbor resource in a safe and enjoyable way. The other fund is an emergency repair fund to be used only for extraordinary, non-routine repairs as required by the California Department of Boating and Waterways (DBW) loan documents. Maintaining compliance with the DBW loan documents through this emergency repair fund allows OC Dana Point Harbor to utilize low interest loans to finance the Dana Point Marina Revitalization Project.

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.

Schedule I County-Administered Accounts

These funds are used to account for the portion of the 1996 Recovery Certificates of Participation which was used to reimburse certain County-administered accounts for their allocated share of the Orange County Investment Pool loss, in accordance with the County's Modified Second Amended Plan of Adjustment ("Plan of Adjustment"), Exhibit 8 - "Schedule I - County-Administered Accounts." In addition, on February 2, 2000, the Bankruptcy Court ordered a segregation of litigation proceeds to ensure indemnification of the representative, Tom Hayes, and others pursuant to the plan, to pay future expenses, fees and charges incurred by the representative, and to pay litigation costs.

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 and licenses, permits, federal and state aid and charges for services provide the remaining revenue.

Plan of Adjustment Available Cash

This group of funds is used to account for monies set aside, pursuant to the Plan of Adjustment, for specified parties to the 1994 bankruptcy and for County-Administered Accounts. These monies are then distributed from these funds in accordance with the provisions in the Plan of Adjustment.

Health Care Programs

This group of funds is used to account for Board-approved Realignment reserves for health care, Mental Health Services Act revenues, 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.

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.

Public Facilities Corporation Bonds, Master Lease

This 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.

South OC Public Financing Authority

This fund was established to account for the debt service expenditures for the South Orange County Financing Authority (SOCPFA). The SOCPFA was formed to provide for the financing of public capital improvements.

Orange County Public Financing Authority

This 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.

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 certain unspent or unencumbered carry-over monies for multi-year approved capital projects funded primarily with Net County Cost or general purpose revenue.

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.



County of Orange
Comprehensive Annual Financial Report
June 30, 2014

	Total Nonmajor Governmental Funds	Special Revenue		
		Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 583,007	\$ 1,112	\$ 9,047	\$ 2,783
Imprest Cash Funds	61	--	--	--
Restricted Cash and Investments with Trustee	195,223	--	--	--
Investments	14,809	--	14,701	--
Deposits In-Lieu of Cash	35	--	--	--
Receivables				
Accounts	2,532	--	--	425
Taxes	2,021	--	18	--
Interest/Dividends	467	1	8	3
Deposits	2,113	--	--	--
Allowance for Uncollectible Receivables	(18)	--	--	--
Due from Other Funds	30,328	89	146	78
Due from Other Governmental Agencies	20,731	298	--	39
Prepaid Costs	10,310	37	--	--
Land and Improvements Held for Resale	145	--	--	--
Notes Receivable, Net	28,747	--	--	603
Total Assets	<u>\$ 890,511</u>	<u>\$ 1,537</u>	<u>\$ 23,920</u>	<u>\$ 3,931</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 14,561	\$ 341	\$ 3,154	\$ 501
Retainage Payable	1,315	--	--	--
Salaries and Employee Benefits Payable	2,071	8	--	--
Deposits from Others	4,172	--	--	--
Due to Other Funds	40,012	83	1,353	323
Due to Other Governmental Agencies	5,943	313	--	--
Unearned Revenue	2,939	--	--	52
Advances from Other Funds	3,800	--	--	--
Total Liabilities	<u>74,813</u>	<u>745</u>	<u>4,507</u>	<u>876</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Intergovernmental Revenues	946	--	--	--
Unavailable Revenue - Property Taxes	793	--	8	--
Unavailable Revenue - Long-Term Notes Receivables	642	--	--	642
Total Deferred Inflows of Resources	<u>2,381</u>	<u>--</u>	<u>8</u>	<u>642</u>
<u>FUND BALANCES</u>				
Nonspendable	10,495	37	--	--
Restricted	734,893	320	19,405	1,103
Assigned	67,929	435	--	1,310
Total Fund Balances	<u>813,317</u>	<u>792</u>	<u>19,405</u>	<u>2,413</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ 890,511</u>	<u>\$ 1,537</u>	<u>\$ 23,920</u>	<u>\$ 3,931</u>

Supplemental Information
(Dollar Amounts in Thousands)

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
<u>ASSETS</u>				
\$ 22,186	\$ 88,617	\$ 90,169	\$ 59,377	Pooled Cash/Investments
--	8	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	108	--	--	Investments
--	--	--	35	Deposits In-Lieu of Cash
--	--	--	--	Receivables
--	117	879	484	Accounts
--	--	1,215	--	Taxes
--	64	79	52	Interest/Dividends
--	--	30	2,083	Deposits
--	--	--	(15)	Allowance for Uncollectible Receivables
--	3,371	1	--	Due from Other Funds
--	3,993	387	10	Due from Other Governmental Agencies
--	233	3,994	316	Prepaid Costs
--	145	--	--	Land and Improvements Held for Resale
--	6,462	--	--	Notes Receivable, Net
<u>\$ 22,186</u>	<u>\$ 103,118</u>	<u>\$ 96,754</u>	<u>\$ 62,342</u>	Total Assets
<u>LIABILITIES</u>				
\$ --	\$ 3,949	\$ 2,887	\$ 1,409	Accounts Payable
--	--	569	305	Retainage Payable
--	45	808	65	Salaries and Employee Benefits Payable
--	11	1,164	2,574	Deposits from Others
7,767	1,939	1,892	459	Due to Other Funds
--	654	266	162	Due to Other Governmental Agencies
--	403	770	6	Unearned Revenue
--	--	--	--	Advances from Other Funds
<u>7,767</u>	<u>7,001</u>	<u>8,356</u>	<u>4,980</u>	Total Liabilities
<u>DEFERRED INFLOWS OF RESOURCES</u>				
--	590	181	--	Unavailable Revenue - Intergovernmental Revenues
--	--	467	--	Unavailable Revenue - Property Taxes
--	--	--	--	Unavailable Revenue - Long-Term Notes Receivables
<u>--</u>	<u>590</u>	<u>648</u>	<u>--</u>	Total Deferred Inflows of Resources
<u>FUND BALANCES</u>				
--	233	3,994	316	Nonspendable
14,419	46,398	71,858	57,046	Restricted
--	48,896	11,898	--	Assigned
<u>14,419</u>	<u>95,527</u>	<u>87,750</u>	<u>57,362</u>	Total Fund Balances
<u>\$ 22,186</u>	<u>\$ 103,118</u>	<u>\$ 96,754</u>	<u>\$ 62,342</u>	Total Liabilities, Deferred Inflows of Resources and Fund Balances

County of Orange
Comprehensive Annual Financial Report
June 30, 2014

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
<u>ASSETS</u>					
Pooled Cash/Investments	\$ 14,092	\$ 6,009	\$ 26,680	\$ 11	\$ 236,028
Imprest Cash Funds	--	--	53	--	--
Restricted Cash and Investments with Trustee	--	--	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	17	--	--
Taxes	--	--	788	--	--
Interest/Dividends	12	5	23	--	196
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	62	16,926	9,617
Due from Other Governmental Agencies	40	--	34	--	14,066
Prepaid Costs	--	--	4,263	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable, Net	18,535	--	--	--	--
Total Assets	<u>\$ 32,679</u>	<u>\$ 6,014</u>	<u>\$ 31,920</u>	<u>\$ 16,937</u>	<u>\$ 259,907</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 19	\$ --	\$ 451	\$ 1	\$ --
Retainage Payable	--	--	25	--	--
Salaries and Employee Benefits Payable	--	--	855	--	--
Deposits from Others	--	--	423	--	--
Due to Other Funds	48	--	4,581	--	19,559
Due to Other Governmental Agencies	--	--	481	--	3,894
Unearned Revenue	--	--	33	--	1,675
Advances from Other Funds	--	--	--	--	--
Total Liabilities	<u>67</u>	<u>--</u>	<u>6,849</u>	<u>1</u>	<u>25,128</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Intergovernmental Revenues	--	--	50	--	--
Unavailable Revenue - Property Taxes	--	--	318	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>368</u>	<u>--</u>	<u>--</u>
<u>FUND BALANCES</u>					
Nonspendable	--	--	4,263	--	--
Restricted	32,612	6,014	20,440	16,936	230,279
Assigned	--	--	--	--	4,500
Total Fund Balances	<u>32,612</u>	<u>6,014</u>	<u>24,703</u>	<u>16,936</u>	<u>234,779</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 32,679</u>	<u>\$ 6,014</u>	<u>\$ 31,920</u>	<u>\$ 16,937</u>	<u>\$ 259,907</u>

Supplemental Information
(Dollar Amounts in Thousands)

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	
\$ 10,884	\$ 1,251	\$ --	\$ 189	ASSETS
--	--	--	--	Pooled Cash/Investments
4,781	--	3,420	142,847	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	--	Investments
484	126	--	--	Deposits In-Lieu of Cash
--	--	--	--	Receivables
9	--	--	--	Accounts
--	--	--	--	Taxes
(3)	--	--	--	Interest/Dividends
3	25	--	--	Deposits
1,304	--	--	--	Allowance for Uncollectible Receivables
1,467	--	--	--	Due from Other Funds
--	--	--	--	Due from Other Governmental Agencies
3,147	--	--	--	Prepaid Costs
<u>\$ 22,076</u>	<u>\$ 1,402</u>	<u>\$ 3,420</u>	<u>\$ 143,036</u>	Land and Improvements Held for Resale
				Notes Receivable, Net
				Total Assets
				LIABILITIES
\$ 603	\$ 125	\$ --	\$ --	Accounts Payable
--	--	--	--	Retainage payable
290	--	--	--	Salaries and Employee Benefits Payable
--	--	--	--	Deposits from Others
1,631	--	--	3	Due to Other Funds
173	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Unearned Revenue
--	--	--	--	Advances from Other Funds
<u>2,697</u>	<u>125</u>	<u>--</u>	<u>3</u>	Total Liabilities
				DEFERRED INFLOWS OF RESOURCES
116	--	--	--	Unavailable Revenue - Intergovernmental Revenues
--	--	--	--	Unavailable Revenue - Property Taxes
--	--	--	--	Unavailable Revenue - Long-Term Notes Receivable:
<u>116</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
				FUND BALANCES
1,467	--	--	--	Nonspendable
17,796	1,263	3,420	143,033	Restricted
--	14	--	--	Assigned
<u>19,263</u>	<u>1,277</u>	<u>3,420</u>	<u>143,033</u>	Total Fund Balances
				Total Liabilities, Deferred Inflows of Resources and Fund Balances
<u>\$ 22,076</u>	<u>\$ 1,402</u>	<u>\$ 3,420</u>	<u>\$ 143,036</u>	

County of Orange
Comprehensive Annual Financial Report
June 30, 2014

	Debt Service		Capital Projects		Permanent
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Countywide Capital Projects	Regional Park Endowment
<u>ASSETS</u>					
Pooled Cash/Investments	\$ --	\$ --	\$ 13,372	\$ 876	\$ 324
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee	3,743	40,432	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	--	--	--
Taxes	--	--	--	--	--
Interest/Dividends	--	--	14	--	1
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	10	--	--
Due from Other Governmental Agencies	--	--	560	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable, Net	--	--	--	--	--
Total Assets	<u>\$ 3,743</u>	<u>\$ 40,432</u>	<u>\$ 13,956</u>	<u>\$ 876</u>	<u>\$ 325</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ --	\$ --	\$ 1,121	\$ --	\$ --
Retainage payable	--	--	416	--	--
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	--	--	--	--	--
Due to Other Funds	--	--	374	--	--
Due to Other Governmental Agencies	--	--	--	--	--
Unearned Revenue	--	--	--	--	--
Advances from Other Funds	--	--	3,800	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>5,711</u>	<u>--</u>	<u>--</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Intergovernmental Revenues	--	--	9	--	--
Unavailable Revenue - Property Taxes	--	--	--	--	--
Unavailable Revenue - Long-Term Notes Receivables	--	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>9</u>	<u>--</u>	<u>--</u>
<u>FUND BALANCES</u>					
Nonspendable	--	--	--	--	185
Restricted	3,743	40,432	8,236	--	140
Assigned	--	--	--	876	--
Total Fund Balances	<u>3,743</u>	<u>40,432</u>	<u>8,236</u>	<u>876</u>	<u>325</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,743</u>	<u>\$ 40,432</u>	<u>\$ 13,956</u>	<u>\$ 876</u>	<u>\$ 325</u>



County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
Revenues				
Taxes	\$ 100,055	\$ 31	\$ 528	\$ --
Licenses, Permits, and Franchises	1,653	--	--	--
Fines, Forfeitures and Penalties	15,715	--	--	--
Use of Money and Property	51,710	8,306	136	400
Intergovernmental	302,940	600	5	236
Charges for Services	12,498	202	28	668
Other	28,767	17	36	313
Total Revenues	513,338	9,156	733	1,617
Expenditures				
Current				
General Government	31,128	--	22,074	82
Public Protection	137	--	--	137
Public Ways and Facilities	16,170	7,248	7,754	1,168
Health and Sanitation	1,635	--	--	--
Public Assistance	176,574	--	--	--
Education	40,008	--	--	--
Recreation and Cultural Services	98,388	--	--	--
Capital Outlay	22,424	--	--	112
Debt Service				
Principal Retirement	34,087	--	--	--
Interest	24,850	--	--	--
Total Expenditures	445,401	7,248	29,828	1,499
Excess (Deficit) of Revenues Over Expenditures	67,937	1,908	(29,095)	118
Other Financing Sources (Uses)				
Transfers In	86,673	1,439	--	--
Transfers Out	(169,808)	(3,771)	--	(517)
Total Other Financing Sources (Uses)	(83,135)	(2,332)	--	(517)
Net Change in Fund Balances	(15,198)	(424)	(29,095)	(399)
Fund Balances - Beginning of Year	828,515	1,216	48,500	2,812
Fund Balances - End of Year	\$ 813,317	\$ 792	\$ 19,405	\$ 2,413

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
\$ --	\$ --	\$ 58,223	\$ --	Revenues
--	771	215	10	Taxes
--	--	30	103	Licenses, Permits, and Franchises
55	806	9,817	23,664	Fines, Forfeitures and Penalties
--	29,582	1,799	76	Use of Money and Property
--	2,522	5,452	703	Intergovernmental
26,507	254	--	119	Charges for Services
26,562	33,935	75,536	24,675	Other
				Total Revenues
				Expenditures
				Current
17	--	--	--	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	22,724	--	--	Public Assistance
--	--	--	--	Education
--	--	76,601	21,787	Recreation and Cultural Services
--	--	8,542	--	Capital Outlay
--	--	--	--	Debt Service
--	--	--	--	Principal Retirement
--	--	--	--	Interest
17	22,724	85,143	21,787	Total Expenditures
26,545	11,211	(9,607)	2,888	Excess (Deficit) of Revenues Over Expenditures
				Other Financing Sources (Uses)
17	12,219	50	--	Transfers In
(35,047)	(9,630)	--	(148)	Transfers Out
(35,030)	2,589	50	(148)	Total Other Financing Sources (Uses)
(8,485)	13,800	(9,557)	2,740	Net Change in Fund Balances
22,904	81,727	97,307	54,622	Fund Balances - Beginning of Year
\$ 14,419	\$ 95,527	\$ 87,750	\$ 57,362	Fund Balances - End of Year

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
Revenues					
Taxes	\$ --	\$ --	\$ 41,273	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	657	--	--
Fines, Forfeitures and Penalties	--	--	7	--	10,597
Use of Money and Property	216	29	213	5	1,142
Intergovernmental	--	--	1,272	--	119,148
Charges for Services	--	--	1,174	--	1,381
Other	(59)	--	551	--	5
Total Revenues	157	29	45,147	5	132,273
Expenditures					
Current					
General Government	--	5	--	8,676	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	1,635
Public Assistance	668	--	--	--	--
Education	--	--	40,008	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	615	--	--
Debt Service					
Principal Retirement	--	--	--	--	--
Interest	--	--	--	--	--
Total Expenditures	668	5	40,623	8,676	1,635
Excess (Deficit) of Revenues Over Expenditures	(511)	24	4,524	(8,671)	130,638
Other Financing Sources (Uses)					
Transfers In	--	--	--	16,926	9,692
Transfers Out	(500)	--	--	--	(115,726)
Total Other Financing Sources (Uses)	(500)	--	--	16,926	(106,034)
Net Change in Fund Balances	(1,011)	24	4,524	8,255	24,604
Fund Balances - Beginning of Year	33,623	5,990	20,179	8,681	210,175
Fund Balances - End of Year	\$ 32,612	\$ 6,014	\$ 24,703	\$ 16,936	\$ 234,779

Special Revenue		Debt Service		
Orange County Housing Authority	Other Governmental Resources	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	
\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	Taxes
--	--	--	--	Licenses, Permits, and Franchises
156	6	56	5,881	Fines, Forfeitures and Penalties
150,149	--	--	--	Use of Money and Property
91	24	--	--	Intergovernmental
754	235	--	--	Charges for Services
151,150	265	56	5,881	Other
				Total Revenues
				Expenditures
				Current
--	247	--	27	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
153,182	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
--	12	--	--	Capital Outlay
--	--	560	5,732	Debt Service
--	--	2,045	16,057	Principal Retirement
153,182	259	2,605	21,816	Interest
				Total Expenditures
(2,032)	6	(2,549)	(15,935)	Excess (Deficit) of Revenues
				Over Expenditures
--	25	2,403	--	Other Financing Sources (Uses)
--	(1)	--	--	Transfers In
--	24	2,403	--	Transfers Out
				Total Other Financing Sources (Uses)
(2,032)	30	(146)	(15,935)	Net Change in Fund Balances
21,295	1,247	3,566	158,968	Fund Balances - Beginning of Year
\$ 19,263	\$ 1,277	\$ 3,420	\$ 143,033	Fund Balances - End of Year

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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

	Debt Service		Capital Projects		Permanent
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Countywide Capital Projects	Regional Park Endowment
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	4,978	--	--
Use of Money and Property	2	753	65	--	2
Intergovernmental	--	--	73	--	--
Charges for Services	--	--	253	--	--
Other	--	--	34	--	1
Total Revenues	2	753	5,403	--	3
Expenditures					
Current					
General Government	--	--	--	--	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	13,143	--	--
Debt Service					
Principal Retirement	4,680	23,115	--	--	--
Interest	1,143	5,605	--	--	--
Total Expenditures	5,823	28,720	13,143	--	--
Excess (Deficit) of Revenues Over Expenditures	(5,821)	(27,967)	(7,740)	--	3
Other Financing Sources (Uses)					
Transfers In	5,823	29,196	8,007	876	--
Transfers Out	--	(848)	(3,620)	--	--
Total Other Financing Sources (Uses)	5,823	28,348	4,387	876	--
Net Change in Fund Balances	2	381	(3,353)	876	3
Fund Balances - Beginning of Year	3,741	40,051	11,589	--	322
Fund Balances - End of Year	\$ 3,743	\$ 40,432	\$ 8,236	\$ 876	\$ 325



County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>Parking Facilities</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 2,984	\$ 2,984	\$ 3,046	\$ 62
Charges for Services	275	275	202	(73)
Other	18	18	18	--
Transfers In	1,439	1,439	1,439	--
Total Revenues and Other Financing Sources	4,716	4,716	4,705	(11)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	4,775	4,890	4,765	125
Total Expenditures and Other Financing Uses	4,775	4,890	4,765	125
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(59)	(174)	(60)	\$ 114
Fund Balances - Beginning of Year	1,267	1,267	1,267	
Fund Balances - End of Year	\$ 1,208	\$ 1,093	\$ 1,207	
<u>Service Area, Lighting, Maintenance and Assessment Districts</u>				
Revenues and Other Financing Sources				
Taxes	\$ 508	\$ 502	\$ 528	\$ 26
Use of Money and Property	161	162	91	(71)
Intergovernmental	4	4	5	1
Charges for Services	22	28	28	--
Other	46	46	36	(10)
Transfers In	2,718	3,130	3,119	(11)
Total Revenues and Other Financing Sources	3,459	3,872	3,807	(65)
Expenditures and Other Financing Uses				
General Government:				
Aliso Viejo Community Facilities				
District 88-1(A) 1992-Construction	5,110	5,110	5,086	24
Special Assessment-Top of the World Improvement	54	54	--	54
CFD 99-1, Ladera Construction				
Series A of 1999 Construction	20	20	19	1
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction	1,114	1,116	1,115	1
CFD 2002-1 Ladera Construction	3,850	3,860	3,830	30
Lomas Laguna Community Facilities				
District 88-2 Construction	400	400	397	3
Baker Ranch Community Facilities				
District 87-6 Construction	532	532	532	--
Santa Teresita Community Facilities				
District 87-9 Construction	67	67	67	--
Mission Viejo Community Facilities				
District 87-3(A) 90 Construction	16	16	16	--
CFD 2004-1 Ladera Construction	23,080	22,470	9,581	12,889
CFD 01-1 Ladera Construction				
Series A of 2001 Construction	43	42	42	--
Santa Teresita Community Facilities				
District 87-9(A) 1991 Construction	138	138	138	--
CFD 00-1, Ladera Construction				
Series A of 2000 Construction	200	196	195	1
Newport Ridge Construction 92-1	214	213	212	1
Newport Ridge Construction Series B	215	2,815	2	2,813
Foothill Ranch Community Facilities				
District 87-4(A) 94 Construction	420	420	409	11
CFD 2003-1, Ladera Construction	2,737	2,998	2,996	2
Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction	75	75	75	--
Coto de Caza Community Facilities				
District 87-8(A) 94 Construction	70	70	69	1
Public Ways and Facilities:				
County Infrastructure Project	7,859	7,859	7,858	1
North Tustin Landscaping and Lighting Assessment District	2,190	2,190	271	1,919
County Service Area No. 13 - La Mirada	13	14	7	7
County Service Area No. 20 - La Habra	192	192	1	191
County Service Area No. 22 - East Yorba Linda	88	105	30	75
Total Expenditures and Other Financing Uses	48,697	50,972	32,948	18,024
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(45,238)	(47,100)	(29,141)	\$ 17,959
Fund Balances - Beginning of Year	48,543	48,543	48,543	
Fund Balances - End of Year	\$ 3,305	\$ 1,443	\$ 19,402	

Supplemental Information
(Dollar Amounts in Thousands)

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>Other Environmental Management</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 400	\$ 400	\$ 397	\$ (3)
Intergovernmental	293	293	236	(57)
Charges for Services	60	215	668	453
Other	149	309	312	3
Total Revenues and Other Financing Sources	902	1,217	1,613	396
Expenditures and Other Financing Uses				
General Government:				
Real Estate Development Program	1,067	1,383	554	829
Air Quality Improvement	534	533	157	376
Public Protection:				
Survey Monument Preservation	541	502	138	364
Public Ways and Facilities:				
El Toro Improvement Fund	4,033	1,337	1,167	170
Total Expenditures and Other Financing Uses	6,175	3,755	2,016	1,739
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,273)	(2,538)	(403)	\$ 2,135
Fund Balances - Beginning of Year	2,815	2,815	2,815	
Fund Balances - End of Year	\$ (2,458)	\$ 277	\$ 2,412	
<u>Tobacco Settlement</u>				
Revenues and Other Financing Sources				
Other	\$ 28,547	\$ 24,590	\$ 26,507	\$ 1,917
Total Revenues and Other Financing Sources	28,547	24,590	26,507	1,917
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	34,587	47,441	34,967	12,474
Total Expenditures and Other Financing Uses	34,587	47,441	34,967	12,474
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,040)	(22,851)	(8,460)	\$ 14,391
Fund Balances - Beginning of Year	22,851	22,851	22,851	
Fund Balances - End of Year	\$ 16,811	\$ --	\$ 14,391	
<u>Community and Welfare Services</u>				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 739	\$ 739	\$ 771	\$ 32
Use of Money and Property	563	571	707	136
Intergovernmental	40,698	40,698	28,271	(12,427)
Charges for Services	2,732	2,732	2,524	(208)
Other	288	304	254	(50)
Transfers In	14,136	14,136	12,216	(1,920)
Total Revenues and Other Financing Sources	59,156	59,180	44,743	(14,437)
Expenditures and Other Financing Uses				
Public Assistance:				
MHSA Housing Fund	2,005	2,005	68	1,937
Dispute Resolution Program	836	836	649	187
Domestic Violence Program	740	740	690	50
District Community Priorities and Projects	50	50	50	--
Facilities Development and Maintenance	18,011	18,011	21	17,990
Workforce Investment Act	22,852	22,089	14,187	7,902
County Executive Office - Single Family Housing	3,215	5,115	5	5,110
OC Housing	7,478	7,478	5,114	2,364
Strategic Priority Affordable Housing	145	145	126	19
In-Home Support Services				
Public Authority	1,031	1,031	1,031	--
SSA Donations and Fees	2,319	2,318	723	1,595
SSA Wraparound	50,599	50,599	8,864	41,735
CalHome Program Reuse Fund	622	899	899	--
SARC Lease Conveyance	214	215	7	208
Total Expenditures and Other Financing Uses	110,117	111,531	32,434	79,097
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(50,961)	(52,351)	12,309	\$ 64,660
Fund Balances - Beginning of Year	84,349	84,349	84,349	
Fund Balances - End of Year	\$ 33,388	\$ 31,998	\$ 96,658	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>OC Parks</u>				
Revenues and Other Financing Sources				
Taxes	\$ 55,439	\$ 55,439	\$ 58,202	\$ 2,763
Licenses, Permits, and Franchises	205	205	215	10
Fines, Forfeitures and Penalties	29	29	30	1
Use of Money and Property	9,308	9,308	9,693	385
Intergovernmental	2,307	2,306	1,939	(367)
Charges for Services	5,961	5,961	7,563	1,602
Other	1,941	1,941	2,353	412
Transfers In	5,005	7,857	7,852	(5)
Total Revenues and Other Financing Sources	80,195	83,046	87,847	4,801
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	5,106	5,559	3,472	2,087
OC Parks	98,999	99,049	77,910	21,139
OC Capital	14,911	24,082	15,724	8,358
Total Expenditures and Other Financing Uses	119,016	128,690	97,106	31,584
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(38,821)	(45,644)	(9,259)	\$ 36,385
Fund Balances - Beginning of Year	96,328	96,328	96,328	
Fund Balances - End of Year	\$ 57,507	\$ 50,684	\$ 87,069	
<u>OC Dana Point Harbor</u>				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 10	\$ 10	\$ 10	\$ --
Fines, Forfeitures and Penalties	112	112	103	(9)
Use of Money and Property	23,050	23,050	23,585	535
Intergovernmental	--	--	76	76
Charges for Services	686	686	703	17
Other	228	228	134	(94)
Transfers In	298	298	282	(16)
Total Revenues and Other Financing Sources	24,384	24,384	24,893	509
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	30,023	30,023	22,214	7,809
Dana Point Marina Department of Boating and Waterways Emergency Repair Fund	2,656	2,655	2	2,653
Total Expenditures and Other Financing Uses	32,679	32,678	22,216	10,462
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,295)	(8,294)	2,677	\$ 10,971
Fund Balances - Beginning of Year	54,669	54,669	54,669	
Fund Balances - End of Year	\$ 46,374	\$ 46,375	\$ 57,346	
<u>Housing Asset</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 1	\$ 1	\$ 199	\$ 198
Intergovernmental	--	--	2,647	2,647
Other	60	60	(58)	(118)
Special Items	--	1,914	1,799	(115)
Total Revenues and Other Financing Sources	61	1,975	4,587	2,612
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency				
Housing Asset	11,774	11,774	1,169	10,605
Total Expenditures and Other Financing Uses	11,774	11,774	1,169	10,605
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,713)	(9,799)	3,418	\$ 13,217
Fund Balances - Beginning of Year	29,146	29,146	29,146	
Fund Balances - End of Year	\$ 17,433	\$ 19,347	\$ 32,564	

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>Schedule 1 County-Administered Accounts</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 16	\$ 17	\$ 21	\$ 4
Transfers In	--	--	223	223
Total Revenues and Other Financing Sources	<u>16</u>	<u>17</u>	<u>244</u>	<u>227</u>
Expenditures and Other Financing Uses				
General Government:				
Litigation Reserve - Escrow				
AG FTCL	--	224	224	--
Indemnification Reserve	4	4	1	3
Litigation Reserve	<u>12</u>	<u>12</u>	<u>3</u>	<u>9</u>
Total Expenditures and Other Financing Uses	<u>16</u>	<u>240</u>	<u>228</u>	<u>12</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	(223)	16	<u>\$ 239</u>
Fund Balances - Beginning of Year	5,995	5,995	5,995	
Fund Balances - End of Year	<u>\$ 5,995</u>	<u>\$ 5,772</u>	<u>\$ 6,011</u>	
<u>OC Public Libraries</u>				
Revenues and Other Financing Sources				
Taxes	\$ 39,022	\$ 39,022	\$ 41,248	\$ 2,226
Licenses, Permits, and Franchises	653	653	657	4
Fines, Forfeitures and Penalties	20	20	7	(13)
Use of Money and Property	147	147	181	34
Intergovernmental	924	1,024	1,082	58
Charges for Services	1,058	1,058	1,174	116
Other	674	674	551	(123)
Transfers In	580	1,954	1,954	--
Total Revenues and Other Financing Sources	<u>43,078</u>	<u>44,552</u>	<u>46,854</u>	<u>2,302</u>
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries - Capital	2,126	4,117	701	3,416
OC Public Libraries	<u>46,430</u>	<u>52,637</u>	<u>41,876</u>	<u>10,761</u>
Total Expenditures and Other Financing Uses	<u>48,556</u>	<u>56,754</u>	<u>42,577</u>	<u>14,177</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,478)	(12,202)	4,277	<u>\$ 16,479</u>
Fund Balances - Beginning of Year	19,910	19,910	19,910	
Fund Balances - End of Year	<u>\$ 14,432</u>	<u>\$ 7,708</u>	<u>\$ 24,187</u>	
<u>Plan of Adjustment Available Cash</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 19	\$ 19	\$ 6	\$ (13)
Transfers In	<u>2,038</u>	<u>17,338</u>	<u>16,925</u>	<u>(413)</u>
Total Revenues and Other Financing Sources	<u>2,057</u>	<u>17,357</u>	<u>16,931</u>	<u>(426)</u>
Expenditures and Other Financing Uses				
General Government:				
Recovery Plan of Adjustment				
Available Cash	<u>11,059</u>	<u>26,036</u>	<u>8,676</u>	<u>17,360</u>
Total Expenditures and Other Financing Uses	<u>11,059</u>	<u>26,036</u>	<u>8,676</u>	<u>17,360</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,002)	(8,679)	8,255	<u>\$ 16,934</u>
Fund Balances - Beginning of Year	8,681	8,681	8,681	
Fund Balances - End of Year	<u>\$ (321)</u>	<u>\$ 2</u>	<u>\$ 16,936</u>	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	\$ 9,025	\$ 9,040	\$ 10,597	\$ 1,557
Use of Money and Property	1,469	1,469	787	(682)
Intergovernmental	72,970	73,457	119,148	45,691
Charges for Services	1,119	1,119	1,381	262
Other	260	260	5	(255)
Transfers In	410	9,998	9,682	(316)
Total Revenues and Other Financing Sources	85,253	95,343	141,600	46,257
Expenditures and Other Financing Uses				
Health and Sanitation:				
Medi-Cal Administrative Activities				
Targeted Case Management	2,748	2,748	1,651	1,097
Emergency Medical Services	9,082	9,619	9,201	418
HCA Purpose Restricted Revenues	2,309	2,309	1,067	1,242
HCA Interest Bearing Purpose				
Restricted Revenue	270	270	126	144
Mental Health Services Act	125,128	125,128	100,966	24,162
Bioterrorism Center				
for Disease Control	5,117	5,117	4,297	820
Total Expenditures and Other Financing Uses	144,654	145,191	117,308	27,883
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(59,401)	(49,848)	24,292	\$ 74,140
Fund Balances - Beginning of Year	210,352	210,352	210,352	
Fund Balances - End of Year	\$ 150,951	\$ 160,504	\$ 234,644	
Orange County Housing Authority				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 173	\$ 173	\$ 135	\$ (38)
Intergovernmental	170,354	170,354	150,308	(20,046)
Charges for Services	46	46	91	45
Other	808	808	753	(55)
Total Revenues and Other Financing Sources	171,381	171,381	151,287	(20,094)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing				
Authority-Operating Reserve	3,512	3,512	363	3,149
Orange County Housing Authority	179,675	178,739	152,819	25,920
Total Expenditures and Other Financing Uses	183,187	182,251	153,182	29,069
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,806)	(10,870)	(1,895)	\$ 8,975
Fund Balances - Beginning of Year	21,339	21,339	21,339	
Fund Balances - End of Year	\$ 9,533	\$ 10,469	\$ 19,444	
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 4	\$ 4	\$ 2	\$ (2)
Charges for Services	30	30	24	(6)
Other	178	222	235	13
Transfers In	25	25	25	—
Total Revenues and Other Financing Sources	237	281	286	5
Expenditures and Other Financing Uses				
General Government:				
Remittance Processing				
Equipment Replacement	123	124	6	118
Property Tax Administration				
State Grant	—	12	35	(23)
Assessor Property Characteristic	235	405	12	393
Deferred Compensation				
Reimbursement - CEO	175	203	205	(2)
Total Expenditures and Other Financing Uses	533	744	258	486
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(296)	(463)	28	\$ 491
Fund Balances - Beginning of Year	1,247	1,247	1,247	
Fund Balances - End of Year	\$ 951	\$ 784	\$ 1,275	

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>Pension Obligation Bonds</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 11,774	\$ 11,774	\$ 11,775	\$ 1
Total Revenues and Other Financing Sources	<u>11,774</u>	<u>11,774</u>	<u>11,775</u>	<u>1</u>
Expenditures and Other Financing Uses				
General Government:				
Pension Obligation Bonds				
Debt Service	21,835	21,835	21,817	18
Total Expenditures and Other Financing Uses	<u>21,835</u>	<u>21,835</u>	<u>21,817</u>	<u>18</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,061)	(10,061)	(10,042)	<u>\$ 19</u>
Fund Balances - Beginning of Year	83,038	83,038	83,038	
Fund Balances - End of Year	<u>\$ 72,977</u>	<u>\$ 72,977</u>	<u>\$ 72,996</u>	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>Criminal Justice Facilities</u>				
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties	\$ 5,230	\$ 5,230	\$ 4,978	\$ (252)
Use of Money and Property	83	83	48	(35)
Intergovernmental	--	--	73	73
Charges for Services	--	--	253	253
Other	3,635	3,527	33	(3,494)
Transfers In	12,107	15,304	8,007	(7,297)
Total Revenues and Other Financing Sources	21,055	24,144	13,392	(10,752)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities				
Accumulated Capital Outlay	5,970	9,388	4,925	4,463
Courthouse Temporary Construction	3,921	3,932	3,932	--
Sheriff-Coroner Construction and Facility Development	17,014	17,492	8,440	9,052
Total Expenditures and Other Financing Uses	26,905	30,812	17,297	13,515
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(5,850)	(6,668)	(3,905)	\$ 2,763
Fund Balances - Beginning of Year	12,135	12,135	12,135	
Fund Balances - End of Year	\$ 6,285	\$ 5,467	\$ 8,230	
<u>Countywide Capital Projects</u>				
Revenues and Other Financing Sources				
Transfers In	\$ --	\$ 884	\$ 876	\$ (8)
Total Revenues and Other Financing Sources	--	884	876	(8)
Expenditures and Other Financing Uses				
Capital Improvements:				
Countywide Capital Projects				
Non General	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	884	876	\$ (8)
Fund Balances - Beginning of Year	--	--	--	
Fund Balances - End of Year	\$ --	\$ 884	\$ 876	

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND**

	Original Budget	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)
<u>Regional Park Endowment</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 1	\$ 2	\$ 1	\$ (1)
Other	<u>2</u>	<u>2</u>	<u>2</u>	<u>--</u>
Total Revenues and Other Financing Sources	<u>3</u>	<u>4</u>	<u>3</u>	<u>(1)</u>
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Limestone Regional Park				
Mitigation Maintenance				
Endowment	<u>1</u>	<u>4</u>	<u>--</u>	<u>4</u>
Total Expenditures and Other Financing Uses	<u>1</u>	<u>4</u>	<u>--</u>	<u>4</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2	--	3	<u>\$ 3</u>
Fund Balances - Beginning of Year	165	165	165	
Fund Balances - End of Year	<u>\$ 167</u>	<u>\$ 165</u>	<u>\$ 168</u>	



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, or to other governmental entities, 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, and group dental insurance programs.

Health Maintenance Organization (HMO) Health Insurance

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.

Publishing Services

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 voice and data services to departments and agencies on a cost-reimbursement basis.

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS**

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance
<u>ASSETS</u>			
Current Assets			
Pooled Cash/Investments	\$ 182,039	\$ 24,819	\$ 4,701
Imprest Cash Funds	133	125	--
Restricted Cash and Investments with Trustee	5	5	--
Receivables			
Accounts	182	10	--
Interest/Dividends	160	24	--
Allowance for Uncollectible Receivables	(11)	--	--
Due from Other Funds	2,643	--	--
Due from Other Governmental Agencies	1,097	527	14
Inventory of Materials and Supplies	489	--	--
Prepaid Costs	3,217	--	--
Total Current Assets	<u>189,954</u>	<u>25,510</u>	<u>4,715</u>
Noncurrent Assets			
Capital Assets			
Construction in Progress	75	--	--
Structures and Improvements	11,635	--	--
Accumulated Depreciation	(5,513)	--	--
Equipment	84,615	--	--
Accumulated Depreciation	(70,514)	--	--
Total Capital Assets	<u>20,298</u>	<u>--</u>	<u>--</u>
Total Assets	<u>210,252</u>	<u>25,510</u>	<u>4,715</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	10,499	121	--
Salaries and Employee Benefits Payable	639	--	--
Due to Other Funds	2,753	1	--
Due to Other Governmental Agencies	198	--	--
Insurance Claims Payable	51,498	12,327	--
Compensated Employee Absences Payable	990	--	--
Total Current Liabilities	<u>66,577</u>	<u>12,449</u>	<u>--</u>
Noncurrent Liabilities			
Insurance Claims Payable	151,601	--	--
Compensated Employee Absences Payable	1,107	--	--
Total Noncurrent Liabilities	<u>152,708</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>219,285</u>	<u>12,449</u>	<u>--</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	20,298	--	--
Unrestricted	(29,331)	13,061	4,715
Total Net Position	<u>\$ (9,033)</u>	<u>\$ 13,061</u>	<u>\$ 4,715</u>

Life Insurance	Workers' Compensation	Unemployment Insurance
\$ 153	\$ 71,826	\$ 11,981
--	--	--
--	--	--
--	--	--
--	67	10
--	--	--
--	261	--
--	1	--
--	--	--
--	361	--
<u>153</u>	<u>72,516</u>	<u>11,991</u>
--	--	--
--	--	--
--	--	--
--	8	--
--	(8)	--
--	--	--
<u>153</u>	<u>72,516</u>	<u>11,991</u>
--	1,019	--
--	67	--
--	379	28
--	22	--
--	27,527	783
--	111	--
--	29,125	811
--	123,214	--
--	136	--
--	123,350	--
--	152,475	811
--	--	--
153	(79,959)	11,180
<u>\$ 153</u>	<u>\$ (79,959)</u>	<u>\$ 11,180</u>

ASSETS

Current Assets

Pooled Cash/Investments
Imprest Cash Funds
Restricted Cash and Investments with Trustee
Receivables
Accounts
Interest/Dividends
Allowance for Uncollectible Receivables
Due from Other Funds
Due from Other Governmental Agencies
Inventory of Materials and Supplies
Prepaid Costs

Total Current Assets

Noncurrent Assets

Capital Assets

Construction in Progress
Structures and Improvements
Accumulated Depreciation
Equipment
Accumulated Depreciation

Total Capital Assets

Total Assets

LIABILITIES

Current Liabilities

Accounts Payable
Salaries and Employee Benefits Payable
Due to Other Funds
Due to Other Governmental Agencies
Insurance Claims Payable
Compensated Employee Absences Payable

Total Current Liabilities

Noncurrent Liabilities

Insurance Claims Payable
Compensated Employee Absences Payable

Total Noncurrent Liabilities

Total Liabilities

NET POSITION

Net Investment in Capital Assets

Unrestricted

Total Net Position

COMBINING STATEMENT OF NET POSITION (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
<u>ASSETS</u>				
Current Assets				
Pooled Cash/Investments	\$ 30,298	\$ 14,507	\$ 1,884	\$ 21,870
Imprest Cash Funds	5	--	--	3
Restricted Cash and Investments with Trustee	--	--	--	--
Receivables				
Accounts	14	57	--	101
Interest/Dividends	29	12	1	17
Allowance for Uncollectible Receivables	(10)	--	--	(1)
Due from Other Funds	540	1,499	--	343
Due from Other Governmental Agencies	11	97	36	411
Inventory of Materials and Supplies	--	489	--	--
Prepaid Costs	255	1,127	257	1,217
Total Current Assets	<u>31,142</u>	<u>17,788</u>	<u>2,178</u>	<u>23,961</u>
Noncurrent Assets				
Capital Assets				
Construction in Progress	--	25	--	50
Structures and Improvements	--	8,833	--	2,802
Accumulated Depreciation	--	(4,961)	--	(552)
Equipment	--	34,945	1,656	48,006
Accumulated Depreciation	--	(24,803)	(1,225)	(44,478)
Total Capital Assets	<u>--</u>	<u>14,039</u>	<u>431</u>	<u>5,828</u>
Total Assets	<u>31,142</u>	<u>31,827</u>	<u>2,609</u>	<u>29,789</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	2,081	437	194	6,647
Salaries and Employee Benefits Payable	47	235	44	246
Due to Other Funds	256	322	299	1,468
Due to Other Governmental Agencies	15	66	16	79
Insurance Claims Payable	10,861	--	--	--
Compensated Employee Absences Payable	83	338	70	388
Total Current Liabilities	<u>13,343</u>	<u>1,398</u>	<u>623</u>	<u>8,828</u>
Noncurrent Liabilities				
Insurance Claims Payable	28,387	--	--	--
Compensated Employee Absences Payable	128	325	78	440
Total Noncurrent Liabilities	<u>28,515</u>	<u>325</u>	<u>78</u>	<u>440</u>
Total Liabilities	<u>41,858</u>	<u>1,723</u>	<u>701</u>	<u>9,268</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	--	14,039	431	5,828
Unrestricted	(10,716)	16,065	1,477	14,693
Total Net Position	<u>\$ (10,716)</u>	<u>\$ 30,104</u>	<u>\$ 1,908</u>	<u>\$ 20,521</u>



**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance
Operating Revenues			
Use of Money and Property	\$ 2,782	\$ --	\$ --
Charges for Services	67,276	--	--
Insurance Premiums	288,866	67,465	151,623
Total Operating Revenues	<u>358,924</u>	<u>67,465</u>	<u>151,623</u>
Operating Expenses			
Salaries and Employee Benefits	17,789	--	--
Services and Supplies	32,308	2,252	--
Professional Services	41,987	3,414	8
Operating Leases	2,531	--	--
Insurance Claims and Premiums	258,700	64,807	152,349
Other Charges	481	481	--
Taxes and Other Fees	10	--	--
Depreciation	3,067	--	--
Total Operating Expenses	<u>356,873</u>	<u>70,954</u>	<u>152,357</u>
Operating Income (Loss)	<u>2,051</u>	<u>(3,489)</u>	<u>(734)</u>
Nonoperating Revenues			
Intergovernmental Revenues	922	922	--
Interest Revenue	810	120	30
Gain on Disposition of Capital Assets	144	--	--
Other Revenue, Net	6,920	1,247	103
Total Nonoperating Revenues	<u>8,796</u>	<u>2,289</u>	<u>133</u>
Income (Loss) Before Contributions and Transfers	10,847	(1,200)	(601)
Capital Contributions	238	--	--
Transfers In	2,807	1,565	8
Transfers Out	(337)	--	(34)
Change in Net Position	13,555	365	(627)
Net Position - Beginning of Year	(22,588)	12,696	5,342
Net Position - End of Year	<u>\$ (9,033)</u>	<u>\$ 13,061</u>	<u>\$ 4,715</u>

Supplemental Information
(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
\$ --	\$ --	\$ --	Operating Revenues
--	--	--	Use of Money and Property
1,235	36,732	--	Charges for Services
1,235	36,732	--	Insurance Premiums
			Total Operating Revenues
--	1,896	--	Operating Expenses
--	293	--	Salaries and Employee Benefits
--	4,592	130	Services and Supplies
--	200	--	Professional Services
1,233	33,438	165	Operating Leases
--	--	--	Insurance Claims and Premiums
--	--	--	Other Charges
--	--	--	Taxes and Other Fees
--	--	--	Depreciation
1,233	40,419	295	Total Operating Expenses
2	(3,687)	(295)	Operating Income (Loss)
--	--	--	Nonoperating Revenues
1	344	61	Intergovernmental Revenues
--	--	--	Interest Revenue
--	388	7	Gain on Disposition of Capital Assets
1	732	68	Other Revenue, Net
			Total Nonoperating Revenues
3	(2,955)	(227)	Income (Loss) Before Contributions and Transfers
--	--	--	Capital Contributions
--	294	--	Transfers In
(1)	--	--	Transfers Out
2	(2,661)	(227)	Change in Net Position
151	(77,298)	11,407	Net Position - Beginning of Year
\$ 153	\$ (79,959)	\$ 11,180	Net Position - End of Year

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
Operating Revenues				
Use of Money and Property	\$ --	\$ --	\$ --	\$ 2,782
Charges for Services	--	21,299	4,043	41,934
Insurance Premiums	31,811	--	--	--
Total Operating Revenues	<u>31,811</u>	<u>21,299</u>	<u>4,043</u>	<u>44,716</u>
Operating Expenses				
Salaries and Employee Benefits	1,374	6,667	1,289	6,563
Services and Supplies	9,554	9,612	1,332	9,265
Professional Services	666	2,304	607	30,266
Operating Leases	185	93	464	1,589
Insurance Claims and Premiums	6,708	--	--	--
Other Charges	--	--	--	--
Taxes and Other Fees	--	10	--	--
Depreciation	--	2,476	64	527
Total Operating Expenses	<u>18,487</u>	<u>21,162</u>	<u>3,756</u>	<u>48,210</u>
Operating Income (Loss)	<u>13,324</u>	<u>137</u>	<u>287</u>	<u>(3,494)</u>
Nonoperating Revenues				
Intergovernmental Revenues	--	--	--	--
Interest Revenue	80	75	6	93
Gain on Disposition of Capital Assets	--	143	--	1
Other Revenue, Net	4,416	127	214	418
Total Nonoperating Revenues	<u>4,496</u>	<u>345</u>	<u>220</u>	<u>512</u>
Income (Loss) Before Contributions and Transfers	17,820	482	507	(2,982)
Capital Contributions	--	--	--	238
Transfers In	--	940	--	--
Transfers Out	--	(302)	--	--
Change in Net Position	<u>17,820</u>	<u>1,120</u>	<u>507</u>	<u>(2,744)</u>
Net Position - Beginning of Year	(28,536)	28,984	1,401	23,265
Net Position - End of Year	<u>\$ (10,716)</u>	<u>\$ 30,104</u>	<u>\$ 1,908</u>	<u>\$ 20,521</u>



County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 69,881	\$ 37	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	288,866	67,465	151,623	1,235
Payments to Suppliers for Goods and Services	(334,430)	(68,876)	(152,357)	(1,233)
Payments to Employees for Services	(17,833)	--	--	--
Payments for Interfund Services	(147)	(1)	--	--
Receipts for Interfund Services	174	--	--	--
Taxes and Other Fees	(10)	--	--	--
Other Operating Receipts (Payments) - Net	3,894	766	89	--
Net Cash Provided (Used) by Operating Activities	10,395	(609)	(645)	2
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	2,807	1,565	8	--
Transfers Out	(337)	--	(34)	(1)
Intergovernmental Revenues	922	922	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	3,392	2,487	(26)	(1)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(4,906)	--	--	--
Net Cash Used by Capital and Related Financing Activities	(4,906)	--	--	--
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	758	109	30	1
Net Cash Provided by Investing Activities	758	109	30	1
Net Increase (Decrease) in Cash and Cash Equivalents	9,639	1,987	(641)	2
Cash and Cash Equivalents - Beginning of Year	172,538	22,962	5,342	151
Cash and Cash Equivalents - End of Year	\$ 182,177	\$ 24,949	\$ 4,701	\$ 153
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 2,051	\$ (3,489)	\$ (734)	\$ 2
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	3,067	--	--	--
Other Revenue - net	6,920	1,247	103	--
(Increases) Decreases In:				
Accounts Receivable	56	(10)	--	--
Due from Other Funds	(390)	--	--	--
Due from Other Governmental Agencies	(247)	47	(14)	--
Inventory of Materials and Supplies	(44)	--	--	--
Prepaid Costs	(386)	--	--	--
Increases (Decreases) In:				
Accounts Payable	4,950	(33)	--	--
Retainage Payable	(24)	--	--	--
Salaries and Employee Benefits Payable	(98)	--	--	--
Due to Other Funds	417	(1)	--	--
Due to Other Governmental Agencies	194	--	--	--
Insurance Claims Payable	(6,125)	1,630	--	--
Compensated Employee Absences Payable	54	--	--	--
Total Adjustments	8,344	2,880	89	--
Net Cash Provided (Used) by Operating Activities	\$ 10,395	\$ (609)	\$ (645)	\$ 2
Reconciliation of Cash and Cash Equivalents to Statement of Net Position				
Pooled Cash/Investments	\$ 182,039	\$ 24,819	\$ 4,701	\$ 153
Imprest Cash Funds	133	125	--	--
Restricted Cash and Investments with Trustee	5	5	--	--
Total Cash and Cash Equivalents	\$ 182,177	\$ 24,949	\$ 4,701	\$ 153

Workers' Compensation	Unemployment Insurance	Property & Casualty Risk	
\$ --	\$ --	\$ 13	CASH FLOWS FROM OPERATING ACTIVITIES
36,732	--	31,811	Receipts from Customers
(42,016)	(1,225)	(20,534)	Cash Received for Premiums Within the County's Entity
(1,912)	--	(1,378)	Payments to Suppliers for Goods and Services
--	--	--	Payments to Employees for Services
80	27	42	Payments for Interfund Services
--	--	--	Receipts for Interfund Services
188	7	4,231	Taxes and Other Fees
(6,928)	(1,191)	14,185	Other Operating Receipts (Payments) - Net
			Net Cash Provided (Used) by Operating Activities
			CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
294	--	--	Transfers In
--	--	--	Transfers Out
--	--	--	Intergovernmental Revenues
294	--	--	Net Cash Provided (Used) by Noncapital Financing Activities
			CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
--	--	--	Acquisition of Capital Assets
--	--	--	Net Cash Used by Capital and Related Financing Activities
			CASH FLOW FROM INVESTING ACTIVITIES
330	59	65	Interest on Investments
330	59	65	Net Cash Provided by Investing Activities
(6,304)	(1,132)	14,250	Net Increase (Decrease) in Cash and Cash Equivalents
78,130	13,113	16,053	Cash and Cash Equivalents - Beginning of Year
<u>\$ 71,826</u>	<u>\$ 11,981</u>	<u>\$ 30,303</u>	Cash and Cash Equivalents - End of Year
			Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
\$ (3,687)	\$ (295)	\$ 13,324	Operating Income (Loss)
			Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
--	--	--	Depreciation
388	7	4,416	Other Revenue - net
--	--	10	(Increases) Decreases In:
(89)	--	8	Accounts Receivable
--	--	3	Due from Other Funds
--	--	--	Due from Other Governmental Agencies
(172)	--	(34)	Inventory of Materials and Supplies
			Prepaid Costs
(47)	--	(258)	Increases (Decreases) In:
--	--	--	Accounts Payable
(12)	--	(9)	Retainage Payable
169	27	34	Salaries and Employee Benefits Payable
22	--	15	Due to Other Funds
(3,496)	(930)	(3,329)	Due to Other Governmental Agencies
(4)	--	5	Insurance Claims Payable
			Compensated Employee Absences Payable
(3,241)	(896)	861	Total Adjustments
<u>\$ (6,928)</u>	<u>\$ (1,191)</u>	<u>\$ 14,185</u>	Net Cash Provided (Used) by Operating Activities
			Reconciliation of Cash and Cash Equivalents to Statement of Net Position
\$ 71,826	\$ 11,981	\$ 30,298	Pooled Cash/Investments
--	--	5	Imprest Cash Funds
--	--	--	Restricted Cash and Investments with Trustee
<u>\$ 71,826</u>	<u>\$ 11,981</u>	<u>\$ 30,303</u>	Total Cash and Cash Equivalents

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 21,310	\$ 4,053	\$ 44,468
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(11,981)	(1,802)	(34,406)
Payments to Employees for Services	(6,675)	(1,299)	(6,569)
Payments for Interfund Services	(1)	--	(145)
Receipts for Interfund Services	--	25	--
Taxes and Other Fees	(10)	--	--
Other Operating Receipts (Payments) - Net	34	(250)	(1,171)
Net Cash Provided (Used) by Operating Activities	<u>2,677</u>	<u>727</u>	<u>2,177</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	940	--	--
Transfers Out	(302)	--	--
Intergovernmental Revenues	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>638</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(4,495)	(91)	(320)
Net Cash Used by Capital and Related Financing Activities	<u>(4,495)</u>	<u>(91)</u>	<u>(320)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	71	6	87
Net Cash Provided by Investing Activities	<u>71</u>	<u>6</u>	<u>87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,109)	642	1,944
Cash and Cash Equivalents - Beginning of Year	15,616	1,242	19,929
Cash and Cash Equivalents - End of Year	<u>\$ 14,507</u>	<u>\$ 1,884</u>	<u>\$ 21,873</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 137	\$ 287	\$ (3,494)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,476	64	527
Other Revenue - net	127	214	418
(Increases) Decreases In:			
Accounts Receivable	1	--	55
Due from Other Funds	(25)	--	(284)
Due from Other Governmental Agencies	10	10	(303)
Inventory of Materials and Supplies	(44)	--	--
Prepaid Costs	(89)	--	(91)
Increases (Decreases) In:			
Accounts Payable	2	125	5,161
Retainage Payable	--	--	(24)
Salaries and Employee Benefits Payable	(33)	(13)	(31)
Due to Other Funds	24	25	139
Due to Other Governmental Agencies	66	12	79
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	25	3	25
Total Adjustments	<u>2,540</u>	<u>440</u>	<u>5,671</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,677</u>	<u>\$ 727</u>	<u>\$ 2,177</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position			
Pooled Cash/Investments	\$ 14,507	\$ 1,884	\$ 21,870
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	<u>\$ 14,507</u>	<u>\$ 1,884</u>	<u>\$ 21,873</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.

OCDA Redevelopment Successor Agency

The Orange County Development Agency was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The OCDA Redevelopment Successor Agency holds the assets of the dissolved Orange County Development Agency 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 performing services on the basis of 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 Employee Retirement System.

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. The eligible employees of these plans are not covered by the Orange County Employee Retirement System.

401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established on January 1999 for eligible employees, including the members of the Board of Supervisors, 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 effective June 23, 2006.

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@65" Retirement (OCERS) formula who voluntarily contribute to the "1.62@65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

Retiree Medical Plan

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust which was established effective July 2, 2007. The Retiree Medical Trust was established exclusively for the Retiree Medical Plan which is a single employer Other Postemployment Benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document.

Health Reimbursement Arrangement Plan

This fund is used to account for the employer contributions to the Health Reimbursement Arrangement, a defined contribution plan, which was established on June 17, 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.

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	OCDA Redevelopment Successor Agency
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 47,563	\$ 37,336	\$ 10,227
Restricted Cash and Investments			
Restricted Cash	2,391	101	2,290
Receivables			
Interest/Dividends	77	58	19
Land Held for Redevelopment	618	--	618
Prepaid Bond Insurance	136	--	136
Total Assets	<u>50,785</u>	<u>37,495</u>	<u>13,290</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	494	--	494
Total Deferred Outflows of Resources	<u>494</u>	<u>--</u>	<u>494</u>
<u>LIABILITIES</u>			
Bonds Payable	38,069	--	38,069
Interest Payable	734	--	734
Due to Other Governmental Agencies	557	496	61
Total Liabilities	<u>39,360</u>	<u>496</u>	<u>38,864</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	161	--	161
Total Deferred Inflows of Resources	<u>161</u>	<u>--</u>	<u>161</u>
<u>NET POSITION</u>			
Restricted for Private-Purpose Trust Funds	11,758	36,999	(25,241)
Net Position	<u>\$ 11,758</u>	<u>\$ 36,999</u>	<u>\$ (25,241)</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Total	Public Administration Trust Funds	OCDA Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	\$ 65,311	\$ 65,311	\$ --
Intergovernmental Revenues	8,335	--	8,335
Other Revenues	404	--	404
Interest and Investment Income	72	21	51
Less: Investment Expense	(67)	(59)	(8)
Total Additions	<u>74,055</u>	<u>65,273</u>	<u>8,782</u>
Deductions:			
Distributions from Private-Purpose Trust	68,756	68,756	--
Services and Supplies	2	--	2
Professional Services	252	--	252
Bond Issuance Costs	425	--	425
Tax Pass-Throughs	6,200	--	6,200
Interest Expense	2,419	--	2,419
Total Deductions	<u>78,054</u>	<u>68,756</u>	<u>9,298</u>
Change in Net Position	(3,999)	(3,483)	(516)
Net Position, Beginning of Year	16,051	40,482	(24,431)
Adjustment Due to Change in Accounting Principle (Note 2)	(294)	--	(294)
Net Position, Beginning of Year, as Restated	15,757	40,482	(24,725)
Net Position, End of Year	<u>\$ 11,758</u>	<u>\$ 36,999</u>	<u>\$ (25,241)</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
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 11,351	\$ 5,195	\$ --	\$ --
Restricted Cash and Investments with Trustee Receivables	270,220	--	7,602	13,320
Interest/Dividends	18	6	--	--
Due from Other Governmental Agencies	2,681	--	--	--
Total Assets	<u>284,270</u>	<u>5,201</u>	<u>7,602</u>	<u>13,320</u>
<u>LIABILITIES</u>				
Due to Other Governmental Agencies	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>NET POSITION</u>				
Restricted for Pension and OPEB Benefits	284,270	5,201	7,602	13,320
Net Position	<u>\$ 284,270</u>	<u>\$ 5,201</u>	<u>\$ 7,602</u>	<u>\$ 13,320</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan	Health Reimbursement Arrangement Plan
\$ --	\$ 6,111	\$ 45
166	185,471	63,661
--	12	--
--	2,300	381
166	193,894	64,087
--	--	--
--	--	--
166	193,894	64,087
\$ 166	\$ 193,894	\$ 64,087

ASSETS

Pooled Cash/Investments
Restricted Cash and Investments with Trustee
Receivables
Interest/Dividends
Due from Other Governmental Agencies
Total Assets

LIABILITIES

Due to Other Governmental Agencies
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	\$ 54,118	\$ 421	\$ --	\$ 908
Employee	7,130	--	1,341	--
Interest and Investment Income	29,251	19	135	1,183
Less: Investment Expense	(50)	(4)	--	--
Total Additions	<u>90,449</u>	<u>436</u>	<u>1,476</u>	<u>2,091</u>
Deductions:				
Benefits Paid to Participants	<u>32,031</u>	<u>695</u>	<u>791</u>	<u>563</u>
Total Deductions	<u>32,031</u>	<u>695</u>	<u>791</u>	<u>563</u>
Change in Net Position	58,418	(259)	685	1,528
Net Position, Beginning of Year	<u>225,852</u>	<u>5,460</u>	<u>6,917</u>	<u>11,792</u>
Net Position, End of Year	<u><u>\$ 284,270</u></u>	<u><u>\$ 5,201</u></u>	<u><u>\$ 7,602</u></u>	<u><u>\$ 13,320</u></u>

1.62%@65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan	Health Reimbursement Arrangement Plan	
			Additions:
			Contributions to Pension and Other
			Employee Benefits Trust:
			Employer
			Employee
			Interest and Investment Income
			Less: Investment Expense
			Total Additions
\$ 120	\$ 44,271	\$ 8,398	
--	5,789	--	
14	20,396	7,504	
--	(46)	--	
<u>134</u>	<u>70,410</u>	<u>15,902</u>	
			Deductions:
			Benefits Paid to Participants
			Total Deductions
--	28,962	1,020	
<u>--</u>	<u>28,962</u>	<u>1,020</u>	
134	41,448	14,882	Change in Net Position
32	152,446	49,205	Net Position, Beginning of Year
<u>\$ 166</u>	<u>\$ 193,894</u>	<u>\$ 64,087</u>	Net Position, End of Year

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
ALL AGENCY FUNDS**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 298,274	\$ 158,931	\$ 139,343
Cash/Cash Equivalents	253	--	253
Restricted Cash and Investments with Trustee	38,726	--	38,726
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	11,891	--	11,891
Receivables			
Accounts	8	--	8
Taxes	304,568	304,568	--
Interest/Dividends	4,890	4,686	204
Allowance For Uncollectible Receivables	(137,073)	(137,072)	(1)
Due from Other Governmental Agencies	24,039	9	24,030
Notes Receivable	28,233	--	28,233
Total Assets	<u>574,891</u>	<u>331,122</u>	<u>243,769</u>
<u>LIABILITIES</u>			
Interest Payable	3,436	3,436	--
Deposits from Others	17,312	--	17,312
Monies Held for Others	181,297	--	181,297
Due to Other Governmental Agencies	49,843	4,683	45,160
Unapportioned Taxes	323,003	323,003	--
Total Liabilities	<u>574,891</u>	<u>331,122</u>	<u>243,769</u>
<u>NET POSITION</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS**

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 139,410	\$ 7,584,982	\$ 7,569,292	\$ 155,100
Receivables	--	13,279,186	13,279,186	--
Taxes	292,519	15,501,721	15,502,634	291,606
Interest	6,338	38,497	41,150	3,685
Allowance for Uncollectible Receivables	--	--	127,770	(127,770)
Due from Other Governmental Agencies	23,879	24,495	46,056	2,318
Total Assets	<u>\$ 462,146</u>	<u>\$ 36,428,881</u>	<u>\$ 36,566,088</u>	<u>\$ 324,939</u>
<u>LIABILITIES</u>				
Interest Payable	\$ 4,742	\$ 16,324	\$ 18,080	\$ 2,986
Due to Other Governmental Agencies	1	67,987	67,987	1
Unapportioned Taxes	457,403	9,786,197	9,921,648	321,952
Total Liabilities	<u>\$ 462,146</u>	<u>\$ 9,870,508</u>	<u>\$ 10,007,715</u>	<u>\$ 324,939</u>

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 182,108	\$ 3,212,168	\$ 3,217,408	\$ 176,868
Cash/Cash Equivalents	89	367	211	245
Restricted Cash and Investments with Trustee	43,150	133,054	134,597	41,607
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	11,659	3,013	2,564	12,108
Receivables				
Accounts	12	1	9	4
Interest	346	935	965	316
Allowance for Uncollectible Receivables	(3)	1	1	(3)
Due from Other Funds	--	544,981	544,981	--
Due from Other Governmental Agencies	10,950	3,369	10,486	3,833
Prepaid Costs	--	24,621	24,621	--
Notes Receivable	24,312	33,424	32,666	25,070
Total Assets	<u>\$ 273,705</u>	<u>\$ 3,955,934</u>	<u>\$ 3,968,509</u>	<u>\$ 261,130</u>
<u>LIABILITIES</u>				
Deposits From Others	\$ 16,302	\$ 25,726	\$ 25,023	\$ 17,005
Monies Held for Others	236,274	5,951,266	5,983,687	203,853
Due to Other Funds	--	48,643	48,643	--
Due to Other Governmental Agencies	21,129	748,558	729,415	40,272
Total Liabilities	<u>\$ 273,705</u>	<u>\$ 6,774,193</u>	<u>\$ 6,786,768</u>	<u>\$ 261,130</u>

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 321,518	\$ 10,797,150	\$ 10,786,700	\$ 331,968
Cash/Cash Equivalents	89	367	211	245
Restricted Cash and Investments with Trustee	43,150	133,054	134,597	41,607
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	11,659	3,013	2,564	12,108
Receivables				
Accounts	12	1	9	4
Taxes	292,519	15,501,721	15,502,634	291,606
Interest	6,684	39,432	42,115	4,001
Allowance for Uncollectible Receivables	(3)	1	127,771	(127,773)
Due from Other Funds	--	544,981	544,981	--
Due from Other Governmental Agencies	34,829	27,864	56,542	6,151
Prepaid Costs	--	24,621	24,621	--
Notes Receivable	24,312	33,424	32,666	25,070
Total Assets	<u>\$ 735,851</u>	<u>\$ 27,105,629</u>	<u>\$ 27,255,411</u>	<u>\$ 586,069</u>
<u>LIABILITIES</u>				
Interest Payable	\$ 4,742	\$ 16,324	\$ 18,080	\$ 2,986
Deposits from Others	16,302	25,726	25,023	17,005
Monies Held for Others	236,274	5,951,266	5,983,687	203,853
Due to Other Funds	--	48,643	48,643	--
Due to Other Governmental Agencies	21,130	816,545	797,402	40,273
Unapportioned Taxes	457,403	9,786,197	9,921,648	321,952
Total Liabilities	<u>\$ 735,851</u>	<u>\$ 16,644,701</u>	<u>\$ 16,794,483</u>	<u>\$ 586,069</u>





Ronald W. Caspers Wilderness Park

STATISTICAL SECTION
(UNAUDITED)

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the basic financial statements, notes to the basic financial statements, and required supplementary information to understand and assess a government's economic condition.

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	184
<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.	196
<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.	200
<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.	205
<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.	207

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

- Notes: (1) In FY 2011-12, it was determined that the Restricted Net Asset for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
- (2) In accordance with GASB 54, which was implemented in FY 2010-11, net positions for business-type activities have been reclassified in the government-wide statements to be consistent with the classification of net position in the enterprise fund financial statements.
- (3) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
- (4) The balances shown for FY 2011-12 have not been restated to include prior period adjustments.

Fiscal Year				
2008-09	2007-08	2006-07	2005-06	2004-05
\$ 2,445,397	\$ 2,302,926	\$ 2,273,891	\$ 2,306,178	\$ 2,336,881
57,322	46,442	--	--	--
--	--	--	--	--
85,197	211,426	247,277	255,201	240,768
66,515	168,468	155,918	121,840	24,196
1,047,284	990,198	916,563	738,515	648,092
--	--	--	--	--
149	139	125	109	97
(1,271)	57,812	135,826	(33,051)	(44,929)
\$ 3,700,593	\$ 3,777,411	\$ 3,729,600	\$ 3,388,792	\$ 3,205,105

Governmental Activities

Net Investment
in Capital Assets
Restricted for:
Expendable
Other Postemployment
Benefits
Pension Benefits
Capital Projects
Debt Service
Legally Segregated
for Grants and
Other Purposes
Regional Park Endowment
Nonexpendable
Regional Park Endowment
Unrestricted
Total Governmental Activities
Net Position

\$ 493,658	\$ 395,227	\$ 359,544	\$ 343,390	\$ 335,795
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
176,225	218,293	194,038	146,332	113,402
284,943	294,068	292,847	264,502	233,999
--	--	--	--	--
\$ 954,826	\$ 907,588	\$ 846,429	\$ 754,224	\$ 683,196

Business-Type Activities

Net Investment
in Capital Assets
Restricted for:
Expendable
Debt Service
Passenger Facility Charges
Approved Capital Projects
Replacements and Renewals
Landfill Closure/Postclosure
Landfill Corrective Action
Wetland
Prima Deshecha/La Pata
Closure
Airport
Waste Management
Unrestricted
Total Business-Type Activities
Net Position

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

	Fiscal Year				
	2013-14	2012-13	2011-12 ⁽¹⁾	2010-11	2009-10
Primary Government					
Net Investment					
in Capital Assets	\$ 3,271,433	\$ 3,151,910	\$ 3,274,791	\$ 3,217,945	\$ 3,097,843
Restricted for:					
Expendable					
Other Postemployment					
Benefits	--	--	--	41,609	43,580
Pension Benefits	109,986	105,900	96,604	107,807	--
Capital Projects	8,661	11,904	16,269	56,219	58,947
Debt Service	44,729	90,737	--	87,253	76,936
Legally Segregated					
for Grants and					
Other Purposes	1,190,106	1,174,791	1,077,117	1,133,256	1,069,801
Regional Park Endowment	140	139	--	--	--
Passenger Facility Charges					
Approved Capital Projects	62,522	55,331	--	--	--
Replacements and Renewals	1,000	1,000	--	--	--
Landfill Closure/Postclosure	37,412	40,355	--	--	--
Landfill Corrective Action	7,141	6,109	--	--	--
Wetland	879	879	--	--	--
Prima Deshecha/La Pata					
Closure	104	104	--	--	--
Airport	--	--	58,149	50,899	48,225
Waste Management	--	--	82,205	84,070	86,943
Nonexpendable					
Regional Park Endowment	185	183	319	315	154
Unrestricted	716,279	531,972	388,264	239,827	311,792
Total Primary Government					
Net Position	<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>

Note: (1) The balances shown for FY 2011-12 have not been restated to include prior period adjustments.
(2) The balances shown prior to FY 2013-14 have not been restated according to GASB 65 implementation.

Fiscal Year				
2008-09	2007-08	2006-07	2005-06	2004-05
\$ 2,939,055	\$ 2,698,153	\$ 2,633,435	\$ 2,649,568	\$ 2,672,676
57,322	46,442	--	--	--
--	--	--	--	--
85,197	211,426	247,277	255,201	240,768
66,515	168,468	155,918	121,840	24,196
1,047,284	990,198	916,563	738,515	648,092
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
176,225	218,293	194,038	146,332	113,402
284,943	294,068	292,847	264,502	233,999
149	139	125	109	97
(1,271)	57,812	135,826	(33,051)	(44,929)
\$4,655,419	\$4,684,999	\$4,576,029	\$4,143,016	\$3,888,301

Primary Government

Net Investment
 in Capital Assets
 Restricted for:
 Expendable
 Other Postemployment
 Benefits
 Pension Benefits
 Capital Projects
 Debt Service
 Legally Segregated
 for Grants and
 Other Purposes
 Regional Park Endowment
 Passenger Facility Charges
 Approved Capital Projects
 Replacements and Renewals
 Landfill Closure/Postclosure
 Landfill Corrective Action
 Wetland
 Prima Deshecha/La Pata
 Closure
 Airport
 Waste Management
 Nonexpendable
 Regional Park Endowment
 Unrestricted
 Total Primary Government
 Net Position

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

	Fiscal Year				
	2013-14	2012-2013	2011-12 ⁽¹⁾	2010-11	2009-10
Expenses					
Governmental Activities:					
General Government	\$ 131,026	\$ 221,110	\$ 161,615	\$ 223,710	\$ 165,489
Public Protection	1,261,984	1,264,354	1,231,925	1,174,859	1,160,823
Public Ways and Facilities	127,561	137,651	144,382	136,017	120,135
Health and Sanitation	626,063	621,381	593,657	586,525	578,983
Public Assistance	988,735	944,230	930,348	931,263	931,469
Education	41,240	38,548	41,226	39,788	41,009
Recreation and Cultural Services	96,820	101,232	102,762	101,993	90,649
Interest on Long-Term Debt	28,028	31,269	56,765	53,806	53,782
Subtotal Governmental Activities	3,301,457	3,359,775	3,262,680	3,247,961	3,142,339
Business-Type Activities:					
Airport	120,731	122,568	107,120	88,059	92,068
Waste Management	94,161	94,737	94,553	93,985	84,754
Compressed Natural Gas	379	305	306	349	95
Subtotal Business-Type Activities	215,271	217,610	201,979	182,393	176,917
Total Primary Government Expenses	<u>\$ 3,516,728</u>	<u>\$ 3,577,385</u>	<u>\$ 3,464,659</u>	<u>\$ 3,430,354</u>	<u>\$ 3,319,256</u>
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	\$ 32,016	\$ 32,127	\$ 26,942	\$ 33,561	\$ 27,452
Public Protection	273,215	283,031	271,423	310,773	278,355
Public Ways and Facilities	53,071	39,981	62,653	53,960	45,809
Health and Sanitation	93,470	81,039	86,027	93,815	86,430
Public Assistance	42,300	34,780	35,036	36,304	30,914
Education	2,059	1,327	1,437	1,576	1,449
Recreation and Cultural Services	39,251	39,637	38,888	37,560	38,223
Operating Grants and Contributions	2,033,550	1,904,858	1,800,296	1,706,231	1,741,762
Capital Grants and Contributions	54,478	62,893	39,010	170,516	16,828
Subtotal Governmental Activities Program Revenues	2,623,410	2,479,673	2,361,712	2,444,296	2,267,222
Business-Type Activities:					
Charges for Services					
Airport	136,359	132,941	129,213	124,298	126,656
Waste Management	125,106	106,876	99,249	102,595	82,442
Compressed Natural Gas	392	385	293	242	129
Operating Grants and Contributions	900	200	212	657	1,432
Capital Grants and Contributions	5,277	3,839	5,216	6,544	8,077
Subtotal Business-Type Activities Program Revenues	268,034	244,241	234,183	234,336	218,736
Total Primary Government Program Revenues	<u>\$ 2,891,444</u>	<u>\$ 2,723,914</u>	<u>\$ 2,595,895</u>	<u>\$ 2,678,632</u>	<u>\$ 2,485,958</u>

- Notes: (1) The balances shown for FY 2011-12 have not been restated to include prior period adjustments.
(2) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.
(3) The balances shown prior to FY 2013-14 have not been restated according to GASB 65 implementation.

Fiscal Year				
2008-09	2007-08	2006-07	2005-06	2004-05
\$ 268,092	\$ 264,049	\$ 281,739	\$ 227,536	\$ 171,771
1,230,894	1,164,458	1,055,593	972,996	947,698
108,748	131,563	96,776	105,342	77,928
593,331	576,160	527,541	467,640	455,059
898,668	862,709	794,862	773,109	740,987
41,265	37,728	32,722	40,452	30,641
81,896	75,612	80,279	72,535	73,530
59,751	76,210	65,961	64,680	81,841
3,282,645	3,188,489	2,935,473	2,724,290	2,579,455
91,959	86,750	90,524	84,362	79,882
79,374	101,990	85,378	76,771	87,533
--	--	--	--	--
171,333	188,740	175,902	161,133	167,415
\$ 3,453,978	\$ 3,377,229	\$ 3,111,375	\$ 2,885,423	\$ 2,746,870

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
 Waste Management
 Compressed Natural Gas
 Subtotal Business-Type Activities
 Total Primary Government
 Expenses

\$ 44,782	\$ 40,659	\$ 45,647	\$ 38,645	\$ 38,977
289,014	295,740	283,215	275,703	279,241
47,283	45,898	41,014	42,483	34,884
82,059	95,069	85,305	79,493	78,686
26,636	6,360	5,372	4,709	3,794
1,338	1,349	4,743	1,353	1,795
40,138	40,449	39,028	34,974	32,882
1,641,501	1,735,820	1,759,887	1,605,063	1,540,938
94,031	46,308	69,340	18,178	66,889
2,266,782	2,307,652	2,333,551	2,100,601	2,078,086
125,095	126,139	127,747	101,775	95,562
93,456	99,548	111,362	114,239	114,541
--	--	--	--	--
171	569	691 ⁽²⁾	22,846	13,968
7,466	15,188	6,731	1,720	10,703
226,188	241,444	246,531	240,580	234,774
\$ 2,492,970	\$ 2,549,096	\$ 2,580,082	\$ 2,341,181	\$ 2,312,860

Program Revenues

Governmental Activities:
 Charges for Services
 General Government
 Public Protection
 Public Ways and Facilities
 Health and Sanitation
 Public Assistance
 Education
 Recreation and Cultural
 Cultural Services
 Operating Grants and
 Contributions
 Capital Grants and
 Contributions
 Subtotal Governmental Activities
 Program Revenues

Business-Type Activities:
 Charges for Services
 Airport
 Waste Management
 Compressed Natural Gas
 Operating Grants and
 Contributions
 Capital Grants and
 Contributions
 Subtotal Business-Type Activities
 Program Revenues
 Total Primary Government
 Program Revenues

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

	Fiscal Year				
	2013-14	2012-2013	2011-12 ⁽⁵⁾	2010-11	2009-10
Net (Expense)/Revenue					
Governmental Activities	\$ (678,047)	\$ (880,102)	\$ (900,968)	\$ (803,665)	\$ (875,117)
Business-Type Activities	52,763	26,631	32,204	51,943	41,819
Total Primary Government					
Net Revenue/(Expense)	<u>\$ (625,284)</u>	<u>\$ (853,471)</u>	<u>\$ (868,764)</u>	<u>\$ (751,722)</u>	<u>\$ (833,298)</u>
General Revenue and Other					
Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 277,591	\$ 313,299	\$ 311,779	\$ 298,953	\$ 290,054
Property Taxes, Levied for Flood Control District	72,737	69,321	68,184	73,260	67,103
Property Taxes, Levied for OC Parks	54,042	51,550	51,168	51,554	49,857
Property Taxes, Levied for OC Public Libraries	39,734	37,961	37,389	37,590	37,057
Property Tax Increments ⁽⁴⁾	--	--	18,308	30,755	31,917
Property Taxes in-Lieu of Motor Vehicle License Fees	295,798	309,745	303,955	228,421	229,635
Other Taxes	73,178	108,430	43,568	83,938	93,024
Grants and Contributions Not Restricted to Specific Programs	14,192	6,711	9,377	27,457	10,299
State Allocation of Motor Vehicle License Fees	895	1,659	2,667	49,889	46,697
Unrestricted Investment Earnings	18,459	11,559	4,195	23,703	15,541
Miscellaneous	54,412	48,478	57,125	64,563	54,496
Gain on Sale of Capital Assets	--	--	34	--	--
Transfers	17,557	10,276	11,767	12,681	11,188
Subtotal Governmental Activities	<u>918,595</u>	<u>968,989</u>	<u>919,516</u>	<u>982,764</u>	<u>936,868</u>
Extraordinary Gain/(Loss)					
Dissolution of OCDA ⁽¹⁾	--	1,800	(69,639)	--	--
Business-Type Activities:					
Other Taxes	101	93	134	--	--
Unrestricted Investment Earnings	3,064	2,113	3,530	5,509	6,411
Miscellaneous Revenues	3,177	1,235	1,508	1,109	2,453
Special Items	--	--	--	--	--
Transfers	(17,557)	(10,276)	(11,767)	(12,681)	(11,188)
Subtotal Business-Type Activities	<u>(11,215)</u>	<u>(6,835)</u>	<u>(6,595)</u>	<u>(6,063)</u>	<u>(2,324)</u>
Total Primary Government	<u>\$ 907,380</u>	<u>\$ 963,954</u>	<u>\$ 843,282</u>	<u>\$ 976,701</u>	<u>\$ 934,544</u>
Change in Net Position					
Governmental Activities	\$ 240,548	\$ 90,687	\$ (51,091)	\$ 179,099	\$ 61,751
Business-Type Activities	41,548	19,796	25,609	45,880	39,495
Total Primary Government	<u>\$ 282,096</u>	<u>\$ 110,483</u>	<u>\$ (25,482)</u>	<u>\$ 224,979</u>	<u>\$ 101,246</u>

- Notes:
- (1) Extraordinary item results from dissolution of OCDA which is now reported as a private purpose trust fund.
 - (2) Beginning in FY 2004-05, a motor vehicle license fee property tax swap known as the "VLF Swap" was instituted causing a shift in property tax and Motor Vehicle License Fees.
 - (3) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.
 - (4) Starting in FY 2012-13, there was no property tax increment revenue due to the dissolution of OCDA.
 - (5) The balances shown for FY 2011-12 have not been restated to include prior period adjustments.

Fiscal Year				
2008-09	2007-08	2006-07	2005-06	2004-05
\$ (1,015,863)	\$ (880,837)	\$ (601,922)	\$ (623,689)	\$ (501,369)
54,855	52,704	70,629	79,447	67,359
<u>\$ (961,008)</u>	<u>\$ (828,133)</u>	<u>\$ (531,293)</u>	<u>\$ (544,242)</u>	<u>\$ (434,010)</u>

Net (Expense)/Revenue

Governmental Activities
Business-Type Activities
Total Primary Government
Net Revenue/(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

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

Business-Type Activities:

Other Taxes

Unrestricted Investment Earnings

Miscellaneous Revenues

Special Items

Transfers

Subtotal Business-Type Activities

Total Primary Government

Change in Net Position

Governmental Activities
Business-Type Activities
Total Primary Government

\$ 263,893	\$ 273,259	\$ 283,112	\$ 271,925	\$ 247,390 ⁽²⁾
68,747	68,042	63,209	53,662	49,295
51,076	50,551	46,965	39,869	37,504
37,932	37,454	34,427	31,408	28,893
35,276	32,376	25,828	26,580	24,122
232,760	224,210	206,933	158,240	141,319 ⁽²⁾
94,184	84,434	54,644	50,676	48,862
27,637	23,434	1,917	1,881	9,442
50,390	54,656	58,487	56,873	54,325 ⁽²⁾
13,583	27,773	60,856	38,588	30,674
49,438	66,887	60,762	66,239	48,823
--	--	31,460	--	--
14,129	16,802	14,130	11,435	14,579
<u>939,045</u>	<u>959,878</u>	<u>942,730</u>	<u>807,376</u>	<u>735,228</u>
--	--	--	--	--
--	--	--	--	--
17,332	29,206	34,500 ⁽³⁾	--	--
786	2,886	1,206	3,016	314
--	(6,835)	--	--	--
<u>(14,129)</u>	<u>(16,802)</u>	<u>(14,130)</u>	<u>(11,435)</u>	<u>(14,579)</u>
<u>3,989</u>	<u>8,455</u>	<u>21,576</u>	<u>(8,419)</u>	<u>(14,265)</u>
<u>\$ 943,034</u>	<u>\$ 968,333</u>	<u>\$ 964,306</u>	<u>\$ 798,957</u>	<u>\$ 720,963</u>
\$ (76,818)	\$ 79,041	\$ 340,808	\$ 183,687	\$ 233,859
58,844	61,159	92,205	71,028	53,094
<u>\$ (17,974)</u>	<u>\$ 140,200</u>	<u>\$ 433,013</u>	<u>\$ 254,715</u>	<u>\$ 286,953</u>

**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2013-14	2012-13	2011-12 ⁽²⁾	2010-11	2009-10
General Fund					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ 53,190
Unreserved	--	--	--	--	215,094
Nonspendable ⁽¹⁾	321,022	263,446	225,460	266,328	--
Restricted ⁽¹⁾	42,028	34,679	26,336	10,872	--
Assigned ⁽¹⁾	153,336	68,157	100,448	1,394	--
Unassigned ⁽¹⁾	--	78,264	990	--	--
Total General Fund	\$ 516,386	\$ 444,546	\$ 353,234	\$ 278,594	\$ 268,284
All Other Governmental Funds					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ 540,745
Unreserved,					
Reported in:					
Special Revenue Funds	--	--	--	--	894,148
Debt Service Funds	--	--	--	--	(1,813)
Capital Projects Funds	--	--	--	--	47,362
Permanent Fund	--	--	--	--	154
Nonspendable ⁽¹⁾	21,207	18,929	23,057	20,802	--
Restricted ⁽¹⁾	1,362,102	1,357,556	1,318,071	1,482,755	--
Assigned ⁽¹⁾	67,929	65,556	43,900	34,173	--
Unassigned ⁽¹⁾	--	--	(3,016)	(8,074)	--
Total All Other Governmental Funds	\$ 1,451,238	\$ 1,442,041	\$ 1,382,012	\$ 1,529,656	\$ 1,480,596

Notes: (1) In accordance with GASB No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.
(2) The balances shown for FY 2011-12 have not been restated to include prior period adjustments.

Fiscal Year				
2008-09	2007-08	2006-07	2005-06	2004-05
\$ 49,423	\$ 99,877	\$ 89,001	\$ 68,082	\$ 67,554
238,621	215,096	294,739	290,053	253,788
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ 288,044	\$ 314,973	\$ 383,740	\$ 358,135	\$ 321,342
\$ 517,375	\$ 671,739	\$ 626,134	\$ 594,090	\$ 657,214
878,113	880,288	838,291	694,973	616,943
(9,903)	-	17,456	5,323	122,873
73,045	198,348	232,317	245,770	230,474
149	139	125	110	97
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ 1,458,779	\$ 1,750,514	\$ 1,714,323	\$ 1,540,266	\$ 1,627,601

General Fund

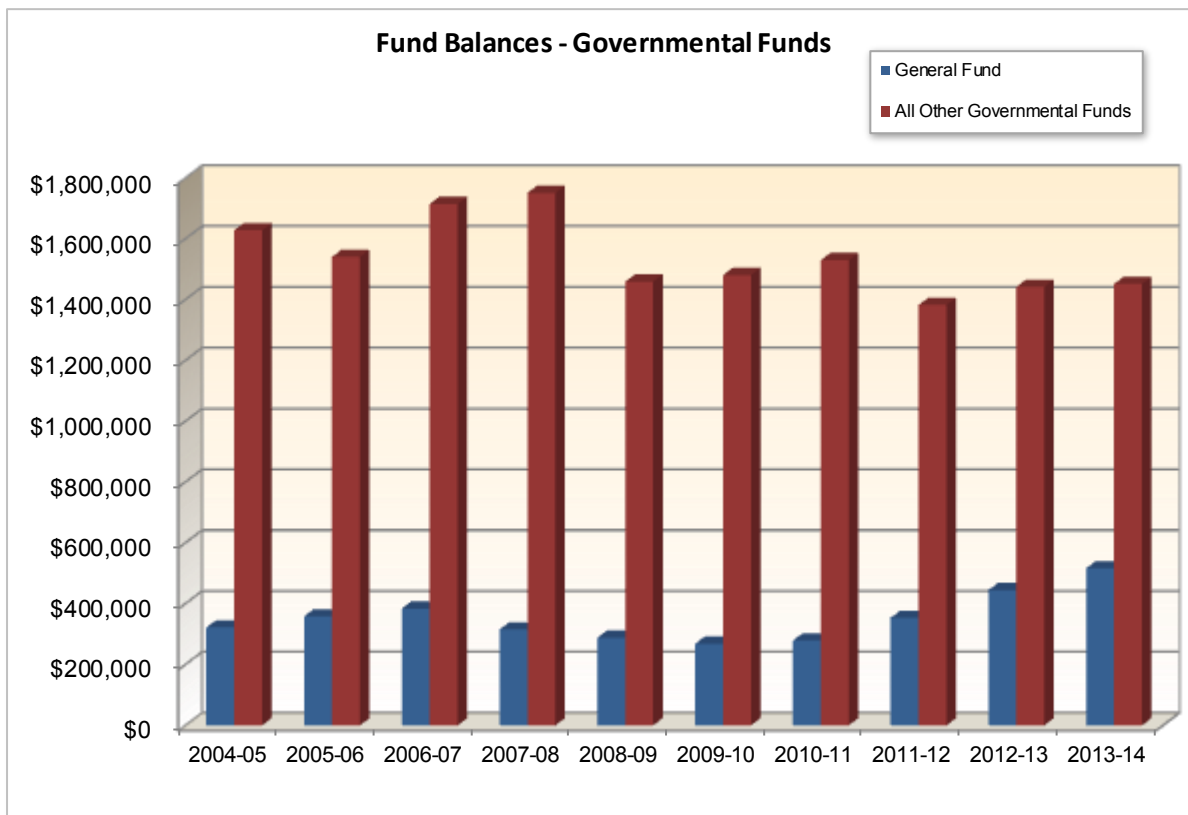
Reserved
Unreserved
Nonspendable ⁽¹⁾
Restricted ⁽¹⁾
Assigned ⁽¹⁾
Unassigned ⁽¹⁾

Total General Fund

All Other Governmental Funds

Reserved
Unreserved,
Reported in:
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Fund
Nonspendable ⁽¹⁾
Restricted ⁽¹⁾
Assigned ⁽¹⁾
Unassigned ⁽¹⁾

Total All Other Governmental Funds



**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)**

	Fiscal Year				
	2013-14	2012-13	2011-12 ⁽²⁾	2010-11	2009-10
Revenues					
Taxes	\$ 778,936	854,587	784,797	\$ 738,109	\$ 741,850
Licenses, Permits and Franchises	24,920	15,213	18,046	16,831	14,976
Fines, Forfeitures and Penalties	62,081	79,267	80,180	93,461	102,959
Use of Money and Property	63,611	58,441	81,088	89,514	88,350
Intergovernmental	2,070,245	1,940,687	1,846,311	1,745,066	1,769,253
Charges for Services	470,899	439,224	435,920	478,916	418,373
Contributions from Property Owners	--	--	--	--	--
Other	54,406	77,464	66,920	64,125	65,727
Total Revenues	3,525,098	3,464,883	3,313,262	3,226,022	3,201,488
Expenditures					
General Government	172,195	186,145	170,156	207,193	211,434
Public Protection	1,194,069	1,157,676	1,125,831	1,068,267	1,054,947
Public Ways and Facilities	127,506	112,294	126,809	110,789	106,985
Health and Sanitation	621,891	611,369	580,791	576,793	559,315
Public Assistance	972,156	932,414	909,296	911,704	903,733
Education	40,008	37,239	37,621	37,671	38,921
Recreation and Cultural Services	98,388	94,051	91,753	84,506	82,826
Capital Outlay	125,781	122,639	105,207	84,311	124,077
Debt Service					
Principal Retirement	111,486	72,499	95,429	87,685	88,962
Escrow Bond Agent	--	--	--	--	--
Interest	35,107	43,777	46,152	40,634	39,565
Debt Issuance Costs	200	--	--	--	--
Total Expenditures	3,498,787	3,370,103	3,289,045	3,209,553	3,210,765
Excess (Deficit) of Revenues Over Expenditures	26,311	94,780	24,217	16,469	(9,277)
Other Financing Sources (Uses)					
Transfers In	294,374	274,363	345,692	395,752	382,154
Transfers Out	(279,287)	(268,110)	(336,157)	(388,274)	(370,820)
Bonds Issued	39,639	78,419	10,000	36,000	--
Premium on Bonds Issued	--	--	2,927	--	--
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	34,380	--	--
Payment to Refunded Bond Escrow	--	--	(40,491)	(710)	--
Provisions for Increase in Land Held for Resale	--	--	43	--	--
Capital Leases	--	--	--	133	--
Total Other Financing Sources	54,726	84,672	16,394	42,901	11,334
Extraordinary Gain/(Loss)	--	1,800	(113,615)	--	--
Net Change in Fund Balances	\$ 81,037	\$181,252	\$ (73,004)	\$ 59,370	\$ 2,057
Debt Service as a Percentage of Noncapital Expenditures:	4.34%	3.60%	4.44%	4.12%	4.18%

Note: (1) In FY 2005-06, the County eliminated the effect of intra-departmental billings and expenditures for annual required pension contribution. Prior years have not been restated.
(2) The balances shown for FY 2011-12 have not been restated to include prior period adjustments.

Fiscal Year				
2008-09	2007-08	2006-07	2005-06	2004-05
\$ 727,159	\$ 719,742	674,278	\$ 618,429	\$ 530,596
17,965	20,516	23,289	18,011	19,767
112,882	89,700	73,353	70,624	70,686
69,667	146,983	165,042	100,207	112,592
1,697,017	1,743,637	1,722,951	1,614,484	1,531,370
443,456	423,611	406,071	386,332	379,216
--	--	--	18,094	65,955
89,064	91,197	104,046	90,721 ⁽¹⁾	268,174
3,157,210	3,235,386	3,169,030	2,916,902	2,978,356
277,369	252,781	204,585	303,827 ⁽¹⁾	356,883
1,117,882	1,103,442	1,005,737	910,531	874,789
110,548	117,963	90,683	95,161	71,075
576,964	564,335	516,901	458,741	446,887
878,436	851,836	788,326	664,723	731,100
39,666	37,091	35,904	40,061	29,745
79,889	70,084	73,386	67,776	67,411
155,286	143,468	154,373	99,519	207,146
205,268	301,066	191,012	67,602	61,503
--	--	--	230,719	--
46,697	53,478	58,586	57,028	67,134
--	--	799	4,402	--
3,488,005	3,495,544	3,120,292	3,000,090	2,913,673
(330,795)	(260,158)	48,738	(83,188)	64,683
793,528	359,791	298,138	245,441	244,551
(781,397)	(345,674)	(288,045)	(239,834)	(239,314)
--	--	32,700	--	--
--	--	2,140	29,290	--
--	211,065	105,991	--	--
--	--	--	565,762	--
--	--	--	(568,409)	--
--	--	--	--	--
--	2,400	--	396	38,917
12,131	227,582	150,924	32,646	44,154
--	--	--	--	--
\$ (318,664)	\$ (32,576)	\$ 199,662	\$ (50,542)	\$ 108,837
7.54%	10.43%	8.44%	12.40%	4.75%

Revenues

Taxes
Licenses, Permits and Franchises
Fines, Forfeitures and Penalties
Use of Money and Property
Intergovernmental
Charges for Services
Contributions from Property Owners
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
Escrow Bond Agent
Interest
Debt Issuance Costs
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures

Other Financing Sources (Uses)

Transfers In
Transfers Out
Bonds Issued
Premium on Bonds Issued
Principal Payment on Demand Bonds
Refunding Bonds Issued
Payment to Refunded Bond Escrow
Provisions for Increase in Land Held
for Resale
Capital Leases
Total Other Financing Sources
Extraordinary Loss
Net Change in Fund Balances

Debt Service as a Percentage
of Noncapital Expenditures:

**Assessed Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years**

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property ⁽²⁾	Unsecured Roll Gross Total ⁽³⁾
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
2008-09	310,398,180	97,515,067	3,125,331	21,026,522
2007-08	302,853,813	89,547,612	2,772,022	20,318,430
2006-07	277,879,918	82,230,790	2,948,207	20,831,767
2005-06	249,353,174	74,875,049	2,282,746	18,341,319
2004-05	223,183,830	70,139,371	2,224,382	18,385,370

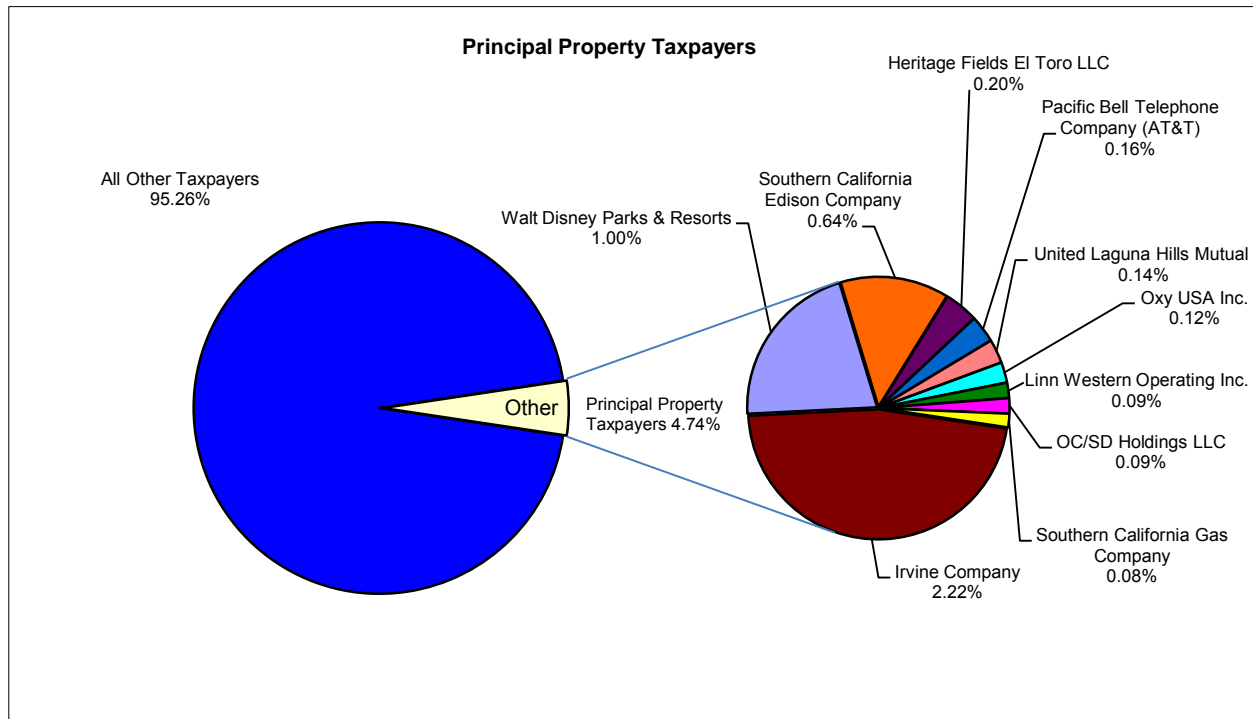
- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 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 ⁽¹⁾
\$ 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
432,065,100	(8,051,290)	424,013,810	1.00
415,491,877	(6,757,810)	408,734,067	1.00
383,890,682	(6,613,199)	377,277,483	1.00
344,852,288	(5,615,327)	339,236,961	1.00
313,932,953	(5,265,627)	308,667,326	1.00

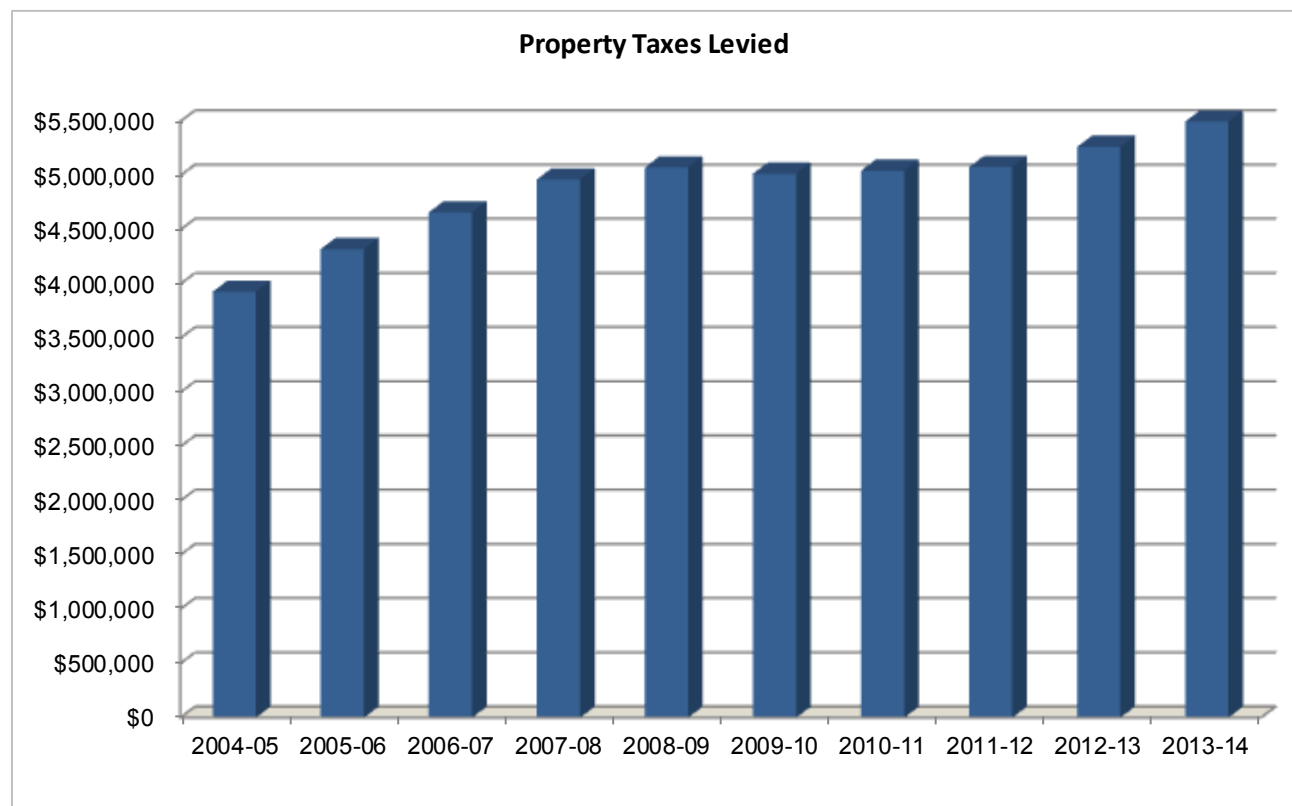
Principal Property Taxpayers Current Year and Nine Years Ago

Taxpayer	2014			2005		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	\$ 114,098	1	2.22%	\$ 44,074	1	1.29%
Walt Disney Parks & Resorts	51,566	2	1.00%	34,454	2 & 6	1.01%
Southern California Edison Company	33,028	3	0.64%	16,239	4	0.48%
Heritage Fields El Toro LLC	10,107	4	0.20%			
Pacific Bell Telephone Company (AT&T)	8,223	5	0.16%			
United Laguna Hills Mutual	7,072	6	0.14%	6,108	7	0.18%
Oxy USA Inc.	6,175	7	0.12%			
Linn Western Operating Inc.	4,690	8	0.09%			
OC/SD Holdings LLC	4,653	9	0.09%			
Southern California Gas Company	4,356	10	0.08%			
Irvine Apartment Communities				18,640	3	0.55%
SBC California				7,749	5	0.23%
Irvine Co. of W VA				5,199	8	0.15%
Irvine Community Development				4,873	9	0.14%
McDonnell Douglas Corporation				4,127	10	0.12%
Total	\$ 243,968		4.74%	\$ 141,463		4.15%



**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year ⁽¹⁾	Collections Within the Fiscal Year of the Levy ⁽²⁾		Collections of Delinquent Taxes from Prior Years ⁽⁴⁾	Total Collections for the Fiscal Year ⁽³⁾	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013-14	\$ 5,509,379	\$ 5,444,912	98.83%	\$ -	\$ 5,444,912	98.83%
2012-13	5,265,844	5,194,193	98.64%	36,579	5,230,772	99.33%
2011-12	5,079,589	5,002,490	98.48%	58,963	5,061,453	99.64%
2010-11	5,045,802	4,960,748	98.31%	17,752	4,978,500	98.67%
2009-10	5,019,061	4,904,188	97.71%	8,628	4,912,816	97.88%
2008-09	5,076,796	4,901,574	96.55%	6,882	4,908,456	96.68%
2007-08	4,965,990	4,784,438	96.34%	4,088	4,788,526	96.43%
2006-07	4,661,169	4,499,537	96.53%	1,333	4,500,870	96.56%
2005-06	4,323,550	4,133,562	95.61%	425	4,133,987	95.62%
2004-05	3,929,458	3,844,104	97.83%	134	3,844,238	97.83%



- 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 in FY 2013-14 because the property taxes levied will be collected in the following year.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt ⁽¹⁾ by Type
Last Ten Fiscal Years (in Thousands except Per Capita)
(Accrual Basis of Accounting)**

Governmental Activities						
Fiscal Year	Refunding Recovery Bonds ⁽⁶⁾	Redevelopment Bonds ⁽²⁾	Certificates of Participation ⁽⁵⁾	Pension Obligation Bonds ⁽⁵⁾	Teeter Plan Revenue Bonds	Teeter Plan Notes
2013-14	\$ 19,172	\$ --	\$ 10,626	\$ 127,206	\$ --	\$ 39,830
2012-13	35,317	--	12,347	138,484	--	43,486
2011-12	51,600	--	3,422	47,523	--	--
2010-11	67,028	47,009	4,064	54,680	--	--
2009-10	81,619	49,729	4,758	59,331	--	--
2008-09	95,206	52,306	5,502	69,711	--	--
2007-08	108,175	54,750	6,306	72,728	123,725	--
2006-07	120,019	57,122	7,165	89,891	123,725	--
2005-06	131,420	58,994	8,092	99,714	123,725	--
2004-05	210,705	60,825	589,909	111,772	123,725	--

- 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 of 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 in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.
 - (6) Beginning in FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB 65. Prior years have not been restated.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt ⁽¹⁾ by Type
Last Ten Fiscal Years (in Thousands except Per Capita)
(Accrual Basis of Accounting)**

Lease Revenue Bonds ⁽⁶⁾	Capital Lease Obligations ⁽³⁾	Business-Type Activities		Total Primary Government	Percentage of Personal Income ⁽⁴⁾	Per Capita ⁽⁴⁾
		Airport Revenue Bonds	Waste Management System Revenue Bonds			
\$ 137,115	\$ 62,446	\$ 209,804	\$ --	\$ 606,199	0.34%	\$ 195
155,828	67,353	240,540	7,018	700,373	0.41%	227
181,097	71,755	248,900	13,666	617,963	0.37%	202
249,924	76,074	256,683	19,921	775,383	0.49%	258
309,517	80,114	264,099	25,738	874,905	0.57%	276
365,850	84,952	33,502	31,144	738,173	0.50%	235
420,668	90,769	89,897	36,177	1,003,195	0.65%	321
470,616	93,533	101,925	40,881	1,104,877	0.72%	357
486,020	101,546	113,156	45,272	1,167,939	0.81%	380
75,895	106,189	123,544	49,386	1,451,950	1.09%	477

**Ratio of Net General Debt ⁽¹⁾ Outstanding
Last Ten Fiscal Years (in Thousands except Per Capita)
(Accrual Basis of Accounting)**

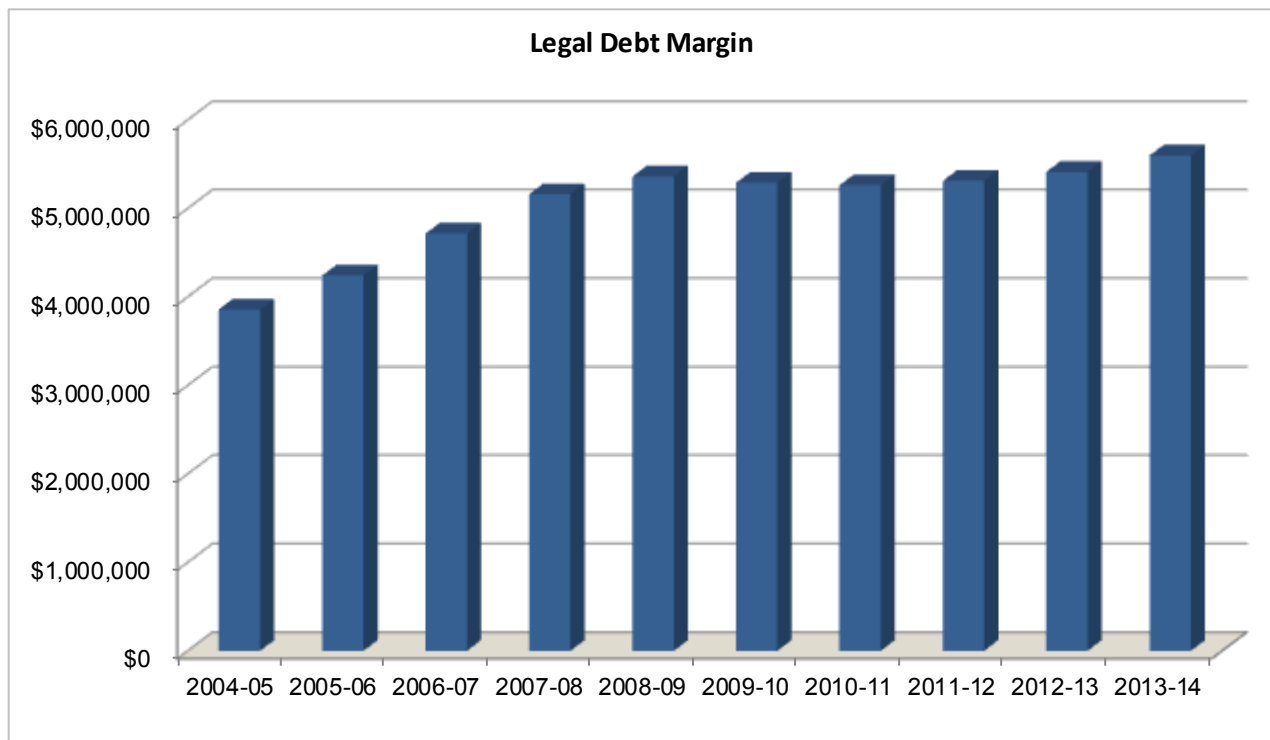
General Debt Outstanding					Percentage of Assessed Value	Per Capita ⁽²⁾
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds ⁽³⁾	Restricted for Debt Payments ⁽³⁾	Total Under		
2013-14	\$ 19,172	\$ 127,206	\$ 127,206	\$ 19,172	\$ -	\$ 6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	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
2008-09	95,206	69,711	69,711	95,206	0.02%	30
2007-08	108,175	72,728	72,728	108,175	0.03%	35
2006-07	120,019	89,891	89,891	120,019	0.04%	39
2005-06	131,420	99,714	99,714	131,420	0.04%	43
2004-05	210,705	111,772	258,991	63,486	0.02%	21

- 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 from 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	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
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%
2008-09	428,809,224	5,360,115	--	5,360,115	0%
2007-08	412,669,779	5,158,372	--	5,158,372	0%
2006-07	377,277,483	4,715,969	--	4,715,969	0%
2005-06	339,236,961	4,240,462	--	4,240,462	0%
2004-05	308,667,326	3,858,342	--	3,858,342	0%



Note: 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, 2014

**Pledged Revenue Coverage ⁽¹⁾
Last Ten Fiscal Years**

South Orange County Public Financing Authority							Public Facilities Corporation Bonds						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers							Funding Source: Interest Earnings and Transfers						
Debt Service							Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013-14	\$ 5,825	\$ --	\$ 5,825	\$ 4,680	\$ 1,143	1.00	2013-14	\$ 2,459	--	\$ 2,459	\$ 560	\$ 2,045	0.94
2012-13	5,841	--	5,841	4,520	1,307	1.00	2012-13	2,403	44	2,359	600	2,005	0.91
2011-12	--	262	(262)	--	--	--	2011-12	2,770	--	2,770	642	1,958	1.07
2010-11	--	--	--	--	--	--	2010-11	2,525	--	2,525	694	1,906	0.97
2009-10	--	--	--	--	--	--	2009-10	2,743	--	2,743	744	1,861	1.05
2008-09	--	--	--	--	--	--	2008-09	2,700	--	2,700	804	1,801	1.04
2007-08	--	--	--	--	--	--	2007-08	2,789	--	2,789	859	1,741	1.07
2006-07	--	--	--	--	--	--	2006-07	2,605	--	2,605	927	1,678	1.00
2005-06	--	--	--	--	--	--	2005-06	2,234	--	2,234	992	1,615	0.86
2004-05	--	--	--	--	--	--	2004-05	2,952	--	2,952	2,520	85	1.13

Orange County Public Financing Authority							Teeter Plan Notes ⁽³⁾						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers							Funding Source: Delinquent Property Taxes Collected						
Debt Service							Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013-14	\$ 29,949	--	\$ 29,949	\$ 23,115	\$ 5,605	1.04	2013-14	\$ 11,147	\$ 251	\$ 10,896	\$ 43,295	\$ 413	0.25
2012-13	29,952	--	29,952	22,160	6,638	1.04	2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	35,697	--	35,697	61,630	10,837	0.49	2011-12	17,094	1,769	15,325	--	267	57.40
2010-11	74,725	--	74,725	58,990	13,643	1.03	2010-11	25,679	1,989	23,690	--	654	36.22
2009-10	74,838	--	74,838	56,580	16,151	1.03	2009-10	35,113	2,203	32,910	--	917	35.89
2008-09	77,027	--	77,027	56,225	18,385	1.03	2008-09	35,117	45,284	(10,167) ⁽²⁾	--	1,170	(8.69)
2007-08	77,308	--	77,308	51,680	20,283	1.07	2007-08	--	--	--	--	--	--
2006-07	76,162	2,137	74,025	52,050	21,656	1.00	2006-07	--	--	--	--	--	--
2005-06	73,479	--	73,479	5,340	10,422	4.66	2005-06	--	--	--	--	--	--
2004-05	8,910	--	8,910	5,170	3,747	1.00	2004-05	--	--	--	--	--	--

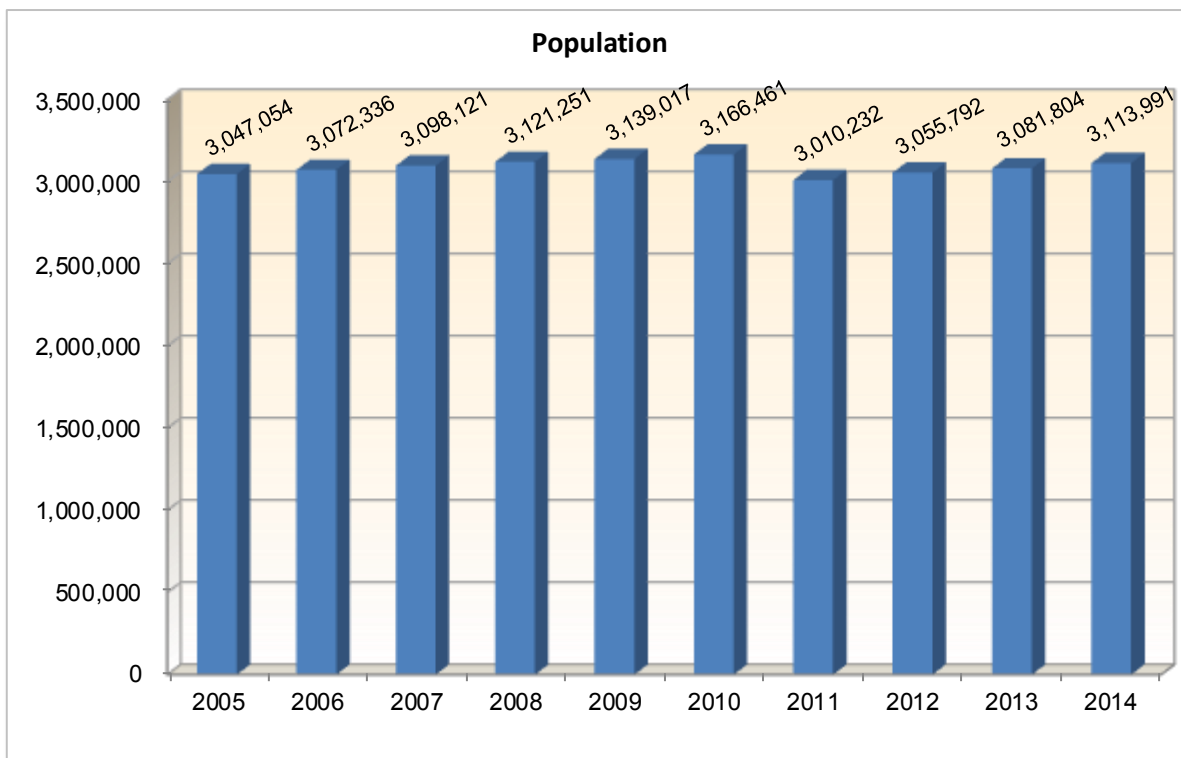
Airport Revenue Bonds							Waste Management Revenue Bonds						
Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue							Funding Source: Sanitation Services, Interest Earnings, Fines, and Intergovernmental Revenue						
Debt Service							Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2013-14	\$ 131,285	\$ 84,708	\$ 46,577	\$ 30,473	\$ 11,395	1.11	2013-14	\$ 127,347	\$ 15,782	\$ 111,565	\$ 7,020	\$ 52	15.78
2012-13	126,966	79,739	47,227	9,250	12,250	2.20	2012-13	108,195	78,324	29,871	6,655	30	4.47
2011-12	124,403	77,628	46,775	7,851	12,592	2.29	2011-12	101,815	75,556	26,259	6,306	885	3.65
2010-11	120,088	70,521	49,567	7,460	12,906	2.43	2010-11	106,731	72,375	34,356	5,950	1,217	4.79
2009-10	121,761	68,771	52,990	2,865	7,163	5.28	2009-10	88,283	64,524	23,759	5,620	1,527	3.32
2008-09	115,026	67,749	47,277	13,480	4,567	2.62	2008-09	105,832	59,167	46,665	5,310	1,818	6.55
2007-08	118,105	63,174	54,931	12,765	5,280	3.04	2007-08	120,309	82,884	37,425	5,030	2,176	5.19
2006-07	117,879	82,383	35,496	12,120	6,249	1.93	2006-07	136,543	83,278	53,265	4,760	2,788	7.06
2005-06	111,324	75,992	35,332	11,500	6,866	1.92	2005-06	130,475	73,578	56,897	4,515	3,068	7.50
2004-05	99,621	70,459	29,162	10,780	7,401	1.60	2004-05	124,706	84,280	40,426	4,280	3,335	5.31

- 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) For FY 2008-09, there is a deficit balance for Net Available Revenue due to additional expenditures resulting from the establishment of the Teeter tax loss reserves in the Tax Loss Reserve Agency Fund during the first year of the program.
- (3) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13

Source: Auditor-Controller, County of Orange

**Demographic and Economic Statistics
Last Ten Calendar Years**

Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income (Absolute Dollars) ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment (In Thousands) ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2014	3,113,991	\$ 177,412,900	\$ 56,973	N/A	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.2%
2012	3,055,792	166,345,500	54,436	36.7	502,195	7.7%
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%
2009	3,139,017	148,372,600	47,267	36.9	504,136	9.6%
2008	3,121,251	155,068,400	49,681	36.1	503,225	5.7%
2007	3,098,121	153,446,600	49,529	35.9	503,955	3.8%
2006	3,072,336	143,949,044	48,209	35.3	510,114	3.4%
2005	3,047,054	133,031,819	44,453	35.1	513,744	3.8%



N/A means Not Available

Sources:

- (1) California Department of Finance, Demographic Research Unit, <http://www.dof.ca.gov>
- (2) For years prior to 2011, source is U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>
- (3) U.S. Census Bureau, American Community Survey, <http://www.census.gov>, 2014 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**

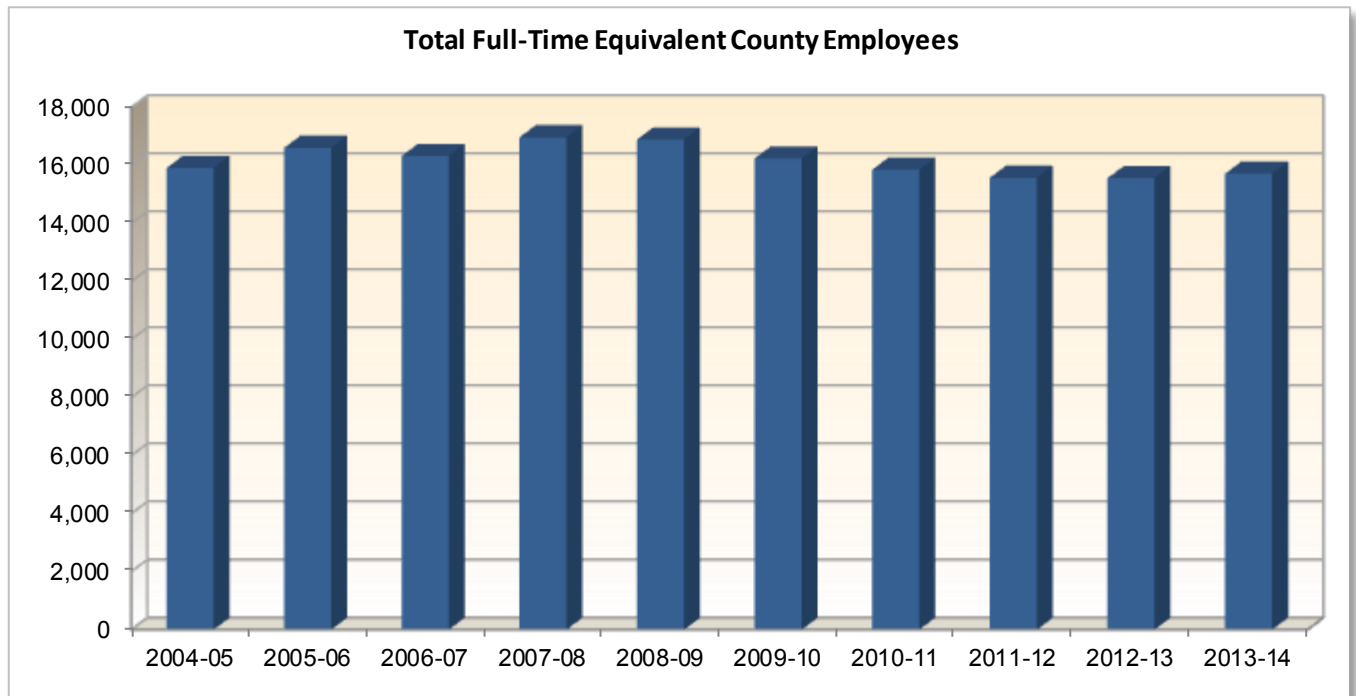
2014			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	25,000	1	1.56%
University of California, Irvine	22,253	2	1.39%
County of Orange	18,035	3	1.12%
St. Joseph Health System	12,062	4	0.75%
Boeing Co.	6,890	5	0.43%
Kaiser Permanente	6,040	6	0.38%
Bank of America Corporation	6,000	7	0.37%
Walmart	6,000	8	0.37%
Memorial Care Health System	5,635	9	0.35%
Target Corporation	5,400	10	0.34%

2005			
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	21,000	1	1.38%
County of Orange	17,597	2	1.16%
University of California, Irvine	15,500	3	1.02%
Boeing Co.	11,160	4	0.73%
St. Joseph Health System	8,975	5	0.59%
Albertson's Inc.	8,700	6	0.57%
Tenet Healthcare Corp.	8,389	7	0.55%
Yum! Brands Inc.	6,500	8	0.43%
SBC Communications Inc.	5,658	9	0.37%
Target Corporation	5,436	10	0.36%

Source: 2014 Orange County Business Journal Book of Lists, for all employers other than the County; and Orange County CEO Budget Office, number of County employees, obtained from County of Orange, FY 2013-14 Fourth Quarter Budget Report, September 16, 2014.

**Full-time Equivalent County Employees by Function
Last Ten Fiscal Years**

Function/Program	2013-14	2012-13 ⁽²⁾	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
General Government	1,322	1,273	1,279	1,314	1,346	1,383	1,377	1,334	1,384	1,342
Public Protection	6,760	6,781	6,653	6,692	6,879	7,298	7,226	6,943	7,068	6,786
Public Ways and Facilities	478	508	542	569	585	622	621	579	598	544
Health and Sanitation	2,128	2,137	2,209	2,292	2,346	2,507	2,550	2,441	2,478	2,424
Public Assistance	4,043	3,876	3,867	3,935	4,023	4,000	4,123	3,992	4,029	3,787
Education	290	286	307	324	325	350	360	351	359	344
Recreation and Cultural Services	274	268	283	289	285	277	264	257	265	279
Airport	162	167	168	168	169	168	161	157	150	136
Waste Management	249	255	257	261	267	272	270	258	263	259
Children and Families Commission of Orange County	11	11	13	14	16	17	17	16	15	12
Total Full-time Equivalent Employees ⁽¹⁾	15,717	15,562	15,578	15,858	16,241	16,894	16,969	16,328	16,609	15,913



- Notes: (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				
	2013-14	2012-13	2011-12	2010-11	2009-10
General Government					
Auditor-Controller					
Property Tax Bills Prepared	1,220,750	1,186,238	1,153,816	1,189,320	1,144,933
Assessor					
Number of Real Property Valued	918,672	914,489	901,840	899,644	897,547
Number of Unsecured Property Assessed	135,551	139,865	159,464	161,005	168,208
New Parcels Created and Mapped	4,519	8,175	3,649	2,739	9,413
New Construction Events	16,904	17,173	17,129	9,372	13,172
County Executive Office					
Volunteer Program Service Hours	700,759	815,407	885,416	935,284	882,680
Clerk-Recorder					
Marriage Licenses Issued	25,244	22,502	22,415	20,868	20,292
Marriage Ceremonies Performed	12,056	*	*	*	*
Copies of Birth Certificates Issued	82,268	81,775	83,611	85,773	87,999
Property-Related Document Recordings	580,899	839,353	741,935	725,323	669,332
Passport Applications Filed	2,686	*	*	*	*
Treasurer-Tax Collector					
Orange County Investment Pool Return	\$ 11,298	\$ 12,958	\$ 17,978	\$ 22,295	\$ 35,656
Orange County Educational Investment Pool Return	\$ 11,712	\$ 11,288	\$ 15,493	\$ 18,573	\$ 35,449
Registrar of Voters					
Registered Voters	1,411,232	1,683,001	1,612,145	1,621,934	1,603,312
Highest Number of Ballots Cast	340,187	1,133,204	145,474	898,205	482,708
Elections Conducted	3	2	2	5	5
Public Protection					
Sheriff-Coroner					
Patrolled Cities Population	631,934	627,447	557,403	553,148	584,947
Patrolled Unincorporated Areas Population	121,473	120,396	119,698	121,488	120,088
Number of Bookings to Orange County Jail System	61,262	63,439	65,256	63,615	58,322
Average Daily Jail Head Count	7,039	6,805	6,265	5,721	5,171
District Attorney					
Defendants Prosecuted - Adult	55,906	57,873	61,759	64,418	64,969
Defendants Prosecuted - Juvenile	5,103	6,651	6,743	7,907	6,894
Probation					
Physical Arrests - Adult	*	2,947	2,307	1,926	1,822
Physical Arrests - Juvenile	*	640	467	488	685
Probationers under Supervision as of June 30th-Adult	14,425	14,186	14,788	13,243	13,476
Probationers under Supervision as of June 30th-Juvenile	4,156	4,984	5,399	5,792	6,527
Avg. Daily Juvenile Hall Population	229	320	315	417	428
Avg. Daily Camp Population	182	193	169	194	191
Public Defender					
Cases Appointed Annually	74,101	77,073	73,487	77,661	76,191

Fiscal Year					Function/Program
2008-09	2007-08	2006-07	2005-06	2004-05	
					<u>General Government</u>
					Auditor-Controller
1,148,720	1,149,007	1,164,584	1,155,562	1,136,302	Property Tax Bills Prepared
					Assessor
888,770	881,233	872,439	859,112	845,293	Number of Real Property Valued
169,821	176,584	171,542	168,342	165,814	Number of Unsecured Property Assessed
9,185	10,252	14,760	13,800	14,646	New Parcels Created and Mapped
16,565	19,380	19,991	16,730	18,919	New Construction Events
					County Executive Office
839,125	675,285	923,689	1,021,153	995,739	Volunteer Program Service Hours
					Clerk-Recorder
21,339	20,894	21,088	21,198	27,000	Marriage Licenses Issued
*	*	*	*	*	Marriage Ceremonies Performed
98,231	117,226	120,817	99,792	130,000	Copies of Birth Certificates Issued
629,373	658,005	849,739	979,733	1,400,000	Property-Related Document Recordings
*	*	*	*	*	Passport Applications Filed
					Treasurer-Tax Collector
\$ 67,242	\$ 141,824	\$ 167,107	\$ 119,561	\$ 66,375	Orange County Investment Pool Return
\$ 61,319	\$ 131,796	\$ 150,135	\$ 106,374	\$ 56,259	Orange County Educational Investment Pool Return
					Registrar of Voters
1,607,989	1,566,951	1,497,397	1,491,009	1,495,824	Registered Voters
1,167,657	748,910	756,348	653,077	1,094,405	Highest Number of Ballots Cast
4	5	3	8	4	Elections Conducted
					<u>Public Protection</u>
					Sheriff-Coroner
581,109	575,909	571,648	571,456	566,650	Patrolled Cities Population
119,480	118,136	120,174	118,664	112,800	Patrolled Unincorporated Areas Population
61,778	64,596	66,869	67,062	64,847	Number of Bookings to Orange County Jail System
6,090	6,183	6,571	6,517	6,054	Average Daily Jail Head Count
					District Attorney
70,058	69,507	74,010	71,094	67,756	Defendants Prosecuted - Adult
7,740	9,076	8,763	7,670	7,470	Defendants Prosecuted - Juvenile
					Probation
1,725	2,470	3,000	3,052	2,191	Physical Arrests - Adult
595	1,051	1,363	1,421	1,341	Physical Arrests - Juvenile
15,022	16,223	16,646	16,656	15,832	Probationers under Supervision as of June 30th-Adult
6,492	6,569	6,112	5,912	5,855	Probationers under Supervision as of June 30th-Juvenile
455	490	502	522	461	Avg. Daily Juvenile Hall Population
310	438	333	328	284	Avg. Daily Camp Population
					Public Defender
83,029	79,052	83,299	79,785	77,578	Cases Appointed Annually

* Means Not Available
Source: County Departments

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

Function/Program	Fiscal Year				
	2013-14	2012-13	2011-12	2010-11	2009-10
<u>Recreation</u>					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	1,154	4,102	4,042	629	61
Native Vegetation Restoration (acres)	368	843	994	2,448	82
New Open Space Management (acres)	--	--	--	--	--
Dana Point Harbor					
Slip and Dry Storage Tenants	2,679	2,700	2,237	2,748	2,750
Boat Launches	15,606	15,037	14,327	15,150	18,759
Sailing and Event Center Participants	111,838	115,996	111,959	108,070	83,738
Ocean Institute Students	100,000	108,668	110,059	125,000	125,060
Hotel Guests	42,887	41,141	36,800	26,972	25,252
Catalina Express Passengers	123,257	123,257	120,945	114,176	106,305
Special Events at the Harbor	15	16	16	16	16
<u>Public Ways and Facilities</u>					
OC Public Works (OCPW)					
Building and Home Inspections	31,772	19,368	15,591	13,215	11,222
<u>Health and Sanitation</u>					
OC Community Resources					
Animal Licenses	192,320	191,098	200,755	173,570	176,123
Health Care Agency					
911 Emergency Medical Services Responses	170,804	171,420	168,172	156,638	158,863
Retail Food Facility Inspections Conducted	32,689	34,953	35,025	34,962	36,445
Hazardous Waste Inspections Conducted	4,616	6,058	5,444	6,237	6,600
Number of Home Visits by Public Health Nurses	35,101	34,953	32,498	29,260	30,091
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	0.93	61	20
<u>Public Assistance</u>					
OC Community Resources					
Adult Day Care Hours of Service	50,944	49,129	70,267	93,425	92,964
Elderly Nutrition Program Meals Delivered	1,347,251	1,360,601	1,636,379	1,846,571	1,796,596
One-Way Transportation Trips Provided to Seniors	187,864	155,003	184,476	287,611	213,832
Social Service Agency					
Average Monthly Medi-Cal Recipients	521,078	430,559	418,649	403,142	376,101
Average Monthly Child Abuse Hotline Calls	3,674	3,009	2,880	3,003	3,165
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
Average Persons Receiving Cash Assistance	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>					
Library					
Total Volumes Borrowed at Library Branches	6,642,739	6,564,262	6,741,380	7,796,954	7,629,378
<u>Airport</u>					
Passengers	9,304,295	9,124,172	8,642,116	8,611,054	8,812,169
Air Cargo Tonnage	17,564	17,821	16,831	15,150	14,870
Takeoffs & Landings	252,166	252,506	251,191	260,466	213,404
<u>Waste Management</u>					
Solid Waste Tonnage	4,070,238	3,428,657	3,304,643	3,495,649	3,502,715
Gallons of Leachate and Impacted Ground Water Collected	3,854,530	3,116,108	3,448,964	3,209,725	3,390,965

Fiscal Year					Function/Program
2008-09	2007-08	2006-07	2005-06	2004-05	
Recreation					
OC Community Resources					
1,475	*	30	15	24	Exotic Invasive Plant Removal (acres)
144	*	13	0.5	*	Native Vegetation Restoration (acres)
--	250	--	--	1,004	New Open Space Management (acres)
Dana Point Harbor					
2,836	2,932	2,932	2,932	*	Slip and Dry Storage Tenants
19,903	22,247	22,159	19,719	*	Boat Launches
66,163	54,371	54,539	54,496	*	Sailing and Event Center Participants
126,957	116,218	149,220	136,926	*	Ocean Institute Students
28,650	26,940	29,580	28,366	*	Hotel Guests
111,648	114,000	114,708	114,567	*	Catalina Express Passengers
16	16	16	16	*	Special Events at the Harbor
Public Ways and Facilities					
OC Public Works (OCPW)					
24,731	31,363	32,365	38,945	57,563	Building and Home Inspections
Health and Sanitation					
OC Community Resources					
158,202	155,875	166,137	167,340	157,921	Animal Licenses
Health Care Agency					
160,369	150,545	147,067	141,850	141,284	911 Emergency Medical Services Responses
33,146	33,451	31,475	31,216	28,433	Retail Food Facility Inspections Conducted
5,847	6,194	6,223	6,122	6,294	Hazardous Waste Inspections Conducted
29,505	30,447	38,245	42,646	35,600	Number of Home Visits by Public Health Nurses
979	660	1,055	993	1,142	Number of Low Income Children Dental Health Services
26	11	3	19	79	Number of Ocean Water Days of Closure (In Beach-Miles)
Public Assistance					
OC Community Resources					
101,732	89,584	76,005	85,116	79,035	Adult Day Care Hours of Service
1,725,058	1,736,877	1,606,272	1,665,392	1,667,021	Elderly Nutrition Program Meals Delivered
233,382	225,783	242,415	226,689	213,998	One-Way Transportation Trips Provided to Seniors
Social Service Agency					
343,222	326,506	317,771	316,949	300,934	Average Monthly Medi-Cal Recipients
3,242	3,427	3,049	2,782	2,909	Average Monthly Child Abuse Hotline Calls
					Average Monthly CalFresh (formerly Food Stamp) Recipients
109,491	88,284	82,132	79,487	79,931	Average Monthly In-Home Supportive Services
16,364	14,425	12,765	11,877	11,063	Average Persons Receiving Cash Assistance
44,115	38,840	38,790	40,886	44,008	Average Children in Foster Care/Relative Care
2,466	2,797	2,692	2,531	2,741	Average Elder and Adult Abuse Unduplicated Reports Received
531	549	509	444	449	
Education					
Library					
7,314,615	6,908,477	6,767,502	6,919,627	6,913,954	Total Volumes Borrowed at Library Branches
Airport					
8,552,590	9,566,043	9,910,016	9,600,753	9,530,981	Passengers
15,197	21,084	22,853	24,246	23,162	Air Cargo Tonnage
215,585	319,791	343,572	348,993	349,936	Takeoffs & Landings
Waste Management					
3,876,902	4,207,649	4,706,367	5,063,988	5,124,842	Solid Waste Tonnage
					Gallons of Leachate and Impacted Ground Water Collected
3,441,343	3,766,898	3,695,743	3,922,890	3,713,480	

Source: County Departments

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

Function/Program	Fiscal Year				
	2013-14	2012-13	2011-12	2010-11	2009-10
<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					
Vote by Mail Processing System	9	7	7	6	4
Trailer	1	1	1	1	1
Vehicle/Truck	3	3	3	3	3
<u>Public Protection</u>					
Probation Department					
Juvenile Institutions	4	4	5	5	5
Vehicles/Trucks	156	*	*	*	*
Equipment	12	*	*	*	*
District Attorney					
Justice Center Offices	5	5	5	5	5
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	911	918	838	844	844
Buses	11	11	11	13	13
Helicopters	3	2	2	2	2
Boats	10	9	9	5	5
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	18	13	10	14	14
<u>Public Assistance</u>					
Social Service Agency					
Vehicles	5	6	10	10	8
Office Locations	19	20	20	19	20
<u>Parks and Recreation</u>					
OC Community Resources					
Park Land (acres)	60,500	59,318	57,688	57,688	39,490
Recreational Trails (in miles)	295	295	295	295	292
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	12	12	12
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	2	2	2
Beaches	11	11	9	9	9
Historical Sites	7	7	7	7	7
Boats	7	9	21	15	14
Tractors	28	24	26	22	18
Trailers	29	33	30	24	20
Vehicles/Trucks	170	211	188	233	208
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	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

Fiscal Year					Function/Program
2008-09	2007-08	2006-07	2005-06	2004-05	
<u>General Government</u>					
					Auditor-Controller
1	1	1	1	1	Hall of Finance and Records
					Clerk-Recorder
1	1	-	-	-	OC Archives Building
					Registrar of Voters
4	3	3	2	2	Vote by Mail Processing System
1	1	1	1	1	Trailer
3	3	2	2	-	Vehicle/Truck
<u>Public Protection</u>					
					Probation Department
5	6	6	5	5	Juvenile Institutions
*	*	*	*	*	Vehicles/Trucks
*	*	*	*	*	Equipment
					District Attorney
5	6	6	6	6	Justice Center Offices
					Sheriff-Coroner
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
859	855	777	646	624	Vehicles
13	12	14	16	14	Buses
2	2	3	3	3	Helicopters
5	5	3	3	3	Boats
3	3	3	2	1	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
14	13	12	20	20	K-9 units
<u>Public Assistance</u>					
					Social Service Agency
7	8	7	7	7	Vehicles
21	27	27	30	30	Office Locations
<u>Parks and Recreation</u>					
					OC Community Resources
39,490	32,000	32,000	32,000	32,000	Park Land (acres)
300	300	300	300	300	Recreational Trails (in miles)
1	1	1	1	1	Zoo
12	12	12	12	12	Urban Regional Parks
5	5	5	5	5	Wilderness Parks
3	3	3	3	3	Nature Preserves
2	2	2	2	2	Harbors
9	9	9	9	9	Beaches
7	7	7	7	7	Historical Sites
14	15	9	17	17	Boats
17	9	16	9	8	Tractors
17	15	21	15	14	Trailers
176	165	135	119	119	Vehicles/Trucks
					Dana Point Harbor
1	1	1	1	1	Harbor
2	2	2	2	2	Marinas
9	9	9	9	*	Public Parking Areas
1	1	1	1	1	Beaches
6	6	6	6	1	Access Points to Ocean

* Means Not Available
Source: County Departments

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

Function/Program	Fiscal Year				
	2013-14	2012-13	2011-12	2010-11	2009-10
<u>Parks and Recreation (Continued)</u>					
Dana Point Harbor					
Hotel	1	1	1	1	1
Ocean Education Center	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1
Shops	23	23	25	25	25
Restaurants	16	16	16	15	16
Fuel Dock	1	1	1	1	1
Shipyard	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15
Parcel 11 (Former Restaurant)	*	*	*	1	*
Parcel 23 (Yacht Club)	*	*	*	1	*
<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	60	60	59	59	59
Vehicles/Trucks	54	51	50	50	50
OC Flood Control District					
Watersheds	13	13	13	19	11
Dams	3	3	3	3	3
Dump Trucks	12	5	5	13	13
Tractors	19	5	5	10	19
Trailers	17	8	12	15	14
Vehicles/Trucks	156	156	165	161	122
Roads					
Street Miles	320	319	320	320	320
Dump Trucks	9	4	11	9	1
Tractors	9	6	3	4	3
Trailers	18	10	5	9	11
Vehicles/Trucks	165	151	146	151	144
<u>Education</u>					
Library Branches	33	33	33	33	33
Library Headquarters	*	*	*	1	1
<u>Health</u>					
Public Health Services					
Public Health Laboratory	1	1	1	1	1
Water Quality Laboratory	1	1	1	1	1
Public Health Clinics	1	1	1	1	1
Trailers	1	1	1	1	1
Behavioral Health Services					
Behavioral Health Clinics	2	2	2	1	1
Vehicles/Trucks	15	15	15	15	15
Trailers	1	1	1	1	1
Regulatory Health Services					
Vehicles/Trucks	6	6	6	5	5
Haz-mat Truck	1	1	1	1	1
Medical and Institutional Health Services					
Clinics	-	-	1	-	-
Health Disaster Management					
Vehicles/Trucks	3	3	2	6	5
Trailers	5	7	24	24	24
Forklifts	1	2	1	1	1

Fiscal Year					Function/Program
2008-09	2007-08	2006-07	2005-06	2004-05	
					<u>Parks and Recreation (Continued)</u>
					Dana Point Harbor
1	1	1	1	*	Hotel
1	1	1	1	1	Ocean Education Center
1	1	1	1	1	Sailing and Events Center
26	26	26	26	1	Shops
15	15	15	15	*	Restaurants
1	1	1	1	*	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	*	Boater Service Buildings
*	*	*	*	*	Parcel 11 (Former Restaurant)
*	*	*	*	*	Parcel 23 (Yacht Club)
					<u>Public Ways and Facilities</u>
					OC Public Works
1	1	1	1	1	Hall of Administration
1	1	1	1	1	Data Center
59	59	50	31	40	Alternate Fuel Vehicles
47	47	48	34	21	Vehicles/Trucks
					OC Flood Control District
11	11	13	13	13	Watersheds
3	3	3	3	3	Dams
13	14	14	14	13	Dump Trucks
19	20	20	19	19	Tractors
14	13	13	13	12	Trailers
166	162	154	150	145	Vehicles/Trucks
					Roads
320	320	317	312	311	Street Miles
8	8	8	8	8	Dump Trucks
12	13	13	11	9	Tractors
14	14	14	12	10	Trailers
158	157	143	138	130	Vehicles/Trucks
					<u>Education</u>
33	33	32	32	32	Library Branches
1	1	1	1	1	Library Headquarters
					<u>Health</u>
					Public Health Services
1	1	1	1	1	Public Health Laboratory
1	1	1	1	1	Water Quality Laboratory
1	11	11	15	15	Public Health Clinics
2	2	2	*	*	Trailers
					Behavioral Health Services
1	32	20	*	*	Behavioral Health Clinics
14	20	20	*	*	Vehicles/Trucks
1	1	1	*	*	Trailers
					Regulatory Health Services
7	45	45	*	*	Vehicles/Trucks
1	1	1	*	*	Haz-mat Truck
					Medical and Institutional Health Services
-	6	6	*	*	Clinics
					Health Disaster Management
3	2	2	*	*	Vehicles/Trucks
22	21	21	*	*	Trailers
2	1	1	*	*	Forklifts

* Means Not Available
Source: County Departments

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

Function/Program	Fiscal Year				
	2013-14	2012-13	2011-12	2010-11	2009-10
<u>Health (Continued)</u>					
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	3	3	3	3	3
<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	1	1
Fire Trucks	4	4	4	4	4
<u>Waste Management</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	7	7	8	8	10
Dump Trucks	10	12	12	14	14
Loaders	20	20	21	22	21
Scrapers	8	8	8	11	13
Excavator	2	2	2	2	-
Tractors	29	28	29	29	29
Graders	4	4	4	4	3
Compactors	8	8	8	8	5
Water/Fuel Trucks	13	11	11	11	12

Fiscal Year					Function/Program
2008-09	2007-08	2006-07	2005-06	2004-05	
					<u>Health (Continued)</u>
					OC Community Resources
1	1	1	1	1	Animal Care Center
3	2	2	*	*	Trailers
					<u>Airport</u>
501	501	501	501	501	Acres
2	2	2	2	2	Runways
5	5	5	5	5	Public Parking Structures/Lots
1	1	1	1	1	Terminals
4	4	4	4	4	Fire Trucks
					<u>Waste Management</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
10	10	12	15	17	Dozers
14	14	14	4	4	Dump Trucks
21	21	21	12	15	Loaders
13	15	15	10	10	Scrapers
-	-	-	-	-	Excavator
28	27	26	34	28	Tractors
6	5	5	5	5	Graders
5	6	5	8	10	Compactors
13	12	12	12	13	Water/Fuel Trucks

* Means Not Available
Source: County Departments



**AUDITOR-CONTROLLER
COUNTY OF ORANGE**

12 CIVIC CENTER PLAZA
SANTA ANA, CA 92702
WWW.AC.OCGOV.COM

ATTACHMENT B

**COUNTY OF ORANGE
INVESTMENT POLICY STATEMENT**

Orange County Treasurer



Investment Policy Statement

(Approved By B.O.S. 12/16/2014)

TABLE OF CONTENTS

Page No.

I.	Policy Statement.....	3
II.	Scope	3
III.	Prudence	4
IV.	Delegation of Authority	5
V.	Objectives	5
VI.	Authorized Investments.....	6
VII.	Investment Restrictions	10
VIII.	Diversification and Maturity Restrictions	11
IX.	Prohibited Transactions	12
X.	Ethics and Conflict of Interest.....	13
XI.	Authorized Broker/Dealers and Financial Institutions	13
XII.	Performance Evaluation	14
XIII.	Safekeeping	14
XIV.	Maintaining the Public Trust.....	14
XV.	Internal Controls.....	15
XVI.	Earnings and Costs Apportionment.....	15
XVII.	Voluntary Participants.....	16
XVIII.	Withdrawal	16
XIX.	Performance Standards	16
XX.	Investment Policy Statement Review	17
XXI.	Financial Reporting	17
XXII.	Legislative Changes	17
XXIII.	Disaster Recovery Program.....	17
XXV.	Glossary.....	18

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 FundsAny 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 authorized by 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 as allowed by Government Code. Participating agencies will 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.

No investment will be made in any security with a remaining maturity in excess of five years at the time of purchase, unless the Board of Supervisors has granted express authority to make such an investment specifically or as part of an investment program, which may include investing through pooled funds. Board of Supervisor's approval must occur at least three months prior to the investment or investment programs being effective. Strategies for such deposits may include matching maturities with long-term liabilities.

III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provides 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 \$.995 or greater than \$1.005, holdings may be sold as necessary to maintain the ratio between \$.995 and \$1.005.

The Treasurer will act on a "best efforts" basis to stabilize any short-term pools within the \$.995 to \$1.005 range. 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 a portfolio 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. There is no limit on the percentage of a pool that can be invested in this category, but each issuer is limited to 33% of any individual pool's total assets.

3. COMMERCIAL PAPER

Eligible commercial paper shall be of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a Nationally Recognized Statistical Rating Organization (NRSRO), shall not exceed 270 days maturity, and shall not exceed 40% of a pool. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

- a) Has total assets in excess of five hundred million dollars (\$500,000,000), is organized and operating within the United States as a general corporation, and has debt other than commercial paper, if any, that is rated “A” or higher by a NRSRO.
- b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond, has commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

Split ratings (i.e. A2/P1) are not allowed, and two NRSRO ratings are required. No more than 5% of the total assets of any individual pool 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, federal association (as defined by Section 5102 of the California Financial Code) a state-licensed branch or a foreign bank. Issuing banks must be rated by at least two NRSROs, have a short-term rating of not less than A1/P1 and a long-term rating of not less than an “A” from a NRSRO, if any. No more than 30% of any individual pool’s total assets may be invested in negotiable certificates of deposit.

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. 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 (bills of exchange), are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Issuing banks must be rated by at least two of the NRSROs and have a short-term rating of at least A1/P1 and a long-term rating of not less than "A" from a NRSRO, if any. 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 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. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

- a) 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, 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 any local agency within a 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.

Issuing municipalities must have a short-term rating of not less than A1/P1 and a long-term rating of not less than an "A" from the NRSROs, and two NRSRO ratings of "A" or better are required unless they have a single NRSRO rating of AA-/AA3 or better. Municipal debt issued by the County of Orange, California is exempt from this credit rating requirement.

9. 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 five 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. Notes eligible for investment shall be rated not less than "A" or its equivalent from at least two NRSROs and if remaining maturity is longer than 397 days, it shall be rated by at least two NRSROs and have obtained no less than an "AA" rating by both. Investments in medium-term notes are limited to no more than 30% of any individual pool's total assets.

10. 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 an individual pool shall be invested in a single investment pool.

11. 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. Supranational securities eligible for investment shall be rated "AA" or better from at least two NRSROs. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

VII. INVESTMENT RESTRICTIONS

1. CREDIT RATINGS

Credit ratings will be applied at the time of purchase of a security. A subsequent downgrade in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities which are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

Municipal debt issued by the County of Orange, California is exempt from the credit rating requirements listed below. U.S. Government obligations (as defined in Section VI (1) and VI (2)) are exempt from the credit rating requirements listed below.

The credit ratings referred to below 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."

- a) Short-term debt ratings – (two of the following and not less than the following)
- | | |
|-------------------------|---|
| "A-1" or "SP-1" | Standard & Poor's Corporation (S&P) |
| "P-1" or "MIG 1/VMIG 1" | Moody's Investors Service, Inc. (Moody's) |
| "F1" | Fitch Ratings (Fitch) |

Split ratings are not allowed, i.e. A-1/P-1/F2 or similar. An issuer of short-term debt must have no less than an "A" rating on long-term debt, if any.

- b) Long-term debt ratings – Investments purchased for short-term pools or with remaining maturities of 397 days or less- shall be rated by at least two NRSROs and have obtained no less than an "A" rating by any.

Investments purchased for long-term pools, such as an extended fund, or with remaining maturities longer than 397 days, shall be rated by at least two NRSROs and have obtained no less than an "AA" rating by any.

If an issuer of long-term debt has a short-term rating, then it may not be less than A-1/SP-1 or P-1/MIG1 or F1 and should be rated by two NRSROs.

- c) Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent by two NRSROs and have capital of not less than \$500 million.
- d) Any issuer that has 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 also approved in writing by the Treasurer prior to purchase:
The issuer has (a) an A-1+ or F1+ short-term rating; or (b) at least an AA or Aa2 long-term rating.

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 (Long-Term Fund)	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	100%	100% Total, no more than 33% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% Total, no more than 5% in one issuer except 10%-County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% Total, no more than 5% in one issuer	5 Years	5 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%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%	20% Total	N/A	N/A	N/A
Investment Pools	100%	20% Total, no more than 10% in one 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 to be invested in longer than five year maturities.

If short-term and long-term pools are used, the following restrictions will apply:

Short-term pool	13 months (397 days)
Long-term pool	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) The long-term pools, such as an extended fund, shall have duration not to exceed a leading 1-3 Year index +25%.

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 valuation 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, 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, U.S. Treasury and Agency strips, Resolution Funding Corporation (REFCORP) strips, or other 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).

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 designed 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. 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. A detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall conduct an annual review of each broker/dealer's and financial institution's financial condition and registrations to determine whether it should remain on the approved list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall, at least every two years, review all new broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved list. 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 Internal Audit Director, 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 and 40, 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 Treasurer's Compliance Division. 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 will charge all pool participants for administrative and overhead costs. Costs include, but are not limited to, portfolio management, bank and custodial fees, software maintenance fees, and other indirect costs incurred from handling or managing funds. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code Sections 27130 through 27137 shall be included as administrative costs. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise the 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 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

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. (Government Code Sections 27000.3, 27133(h), 27136 and 53684(c))

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, County Executive Officer, Chief Financial Officer, Internal Audit Director, Auditor-Controller, 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 180 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.
Evolving/ Neutral	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.

DOMINION BOND RATING SERVICE, LTD: (see Nationally Recognized Statistical Rating Organization)

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, LIBOR, etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTROLS: 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.; Fitch, Inc.; and Dominion Bond Rating Service, Ltd.

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: One of 21 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), Resolution Trust Corporation (RTC), 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.