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## CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED) FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

#### Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: Continuing Disclosure Annual Report, for the year ended 06/30/2017

#### **Documents**

#### ☐ Financial Operating Filing

....00187579.PDF posted 02/22/2018

#### The following issuers are associated with this continuing disclosure submission:

CUSIP-6	State	Issuer Name
68428V	CA	ORANGE CNTY CALIF PUB FING AUTH LEASE REV

## The following 10 securities have been published with this continuing disclosure submission:

CUSIP-9	Maturity Date
68428VCF7	06/01/2009
68428VCG5	06/01/2010
68428VCH3	06/01/2011
68428VCJ9	06/01/2012
68428VCK6	06/01/2013
68428VCL4	06/01/2014

68428VCM2	06/01/2015
68428VCN0	06/01/2016
68428VCP5	06/01/2017
68428VCQ3	06/01/2018

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## CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

# ORANGE COUNTY PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2006



COUNTY OF ORANGE COUNTY EXECUTIVE OFFICE 333 West Santa Ana Boulevard, 3<sup>rd</sup> Floor Santa Ana, CA 92701-4062

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## ORANGE COUNTY PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2006

**MATURITY DATE** 

(June 1)

CUSIP\*

2018

68428VCQ3

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#### INTRODUCTION

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated February 22, 2018 (the "Annual Report") has been prepared to satisfy the requirements related to the Orange County Public Financing Authority Lease Revenue Bonds, Series 2006 (the "Bonds") of the County of Orange, a political subdivision of the State of California (the "County").

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

The County has agreed under that certain Continuing Disclosure Certificate, dated October 19, 2006, executed by the County in connection with the issuance of the Bonds (the "Disclosure Certificate") and pursuant to the Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule") to provide certain annual financial information and operating data and notices of certain reporting of significant events. These covenants have been made in order to comply with the Rule. As provided in the Disclosure Certificate, this Annual Report is being prepared for publication with the Electronic Municipal Market Access, a service of the Municipal Securities Rulemaking Board ("EMMA") for the benefit of the owners of the Bonds and the participating underwriters. Capitalized terms used herein which are not otherwise defined shall have the respective meaning specified in the Disclosure Certificate.

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

#### **AUDITED FINANCIAL STATEMENTS**

The comprehensive annual financial report of the County for the fiscal year ended June 30, 2017, which contains the audited financial statements of the County, is attached hereto as Appendix A.

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

The following table, as in the form to Table A-6 in the Official Statement, sets forth the County's Adopted and Final Budgets for Fiscal Years 2015-16 and 2016-17, as well as the County's current Modified Budget for Fiscal Year 2017-18.

#### **TABLE A-6**

#### COMPARISON OF GENERAL FUND ADOPTED BUDGETS FOR FISCAL YEARS 2015-16, 2016-17 AND 2017-18

	201	5-16		2016-17	2017-18		
	Adopted Budget	Final Modified Budget <sup>(1)</sup>	Adopted Budget	Final Modified Budget <sup>(1)</sup>	Variance Between Adopted Budget and Final Budget	Modified Budget <sup>(1)</sup>	Change from 2016-17 Adopted Budget
REQUIREMENTS	<b>*</b> 4 40 <b>=</b> 000 000	<b>*</b> 4 <b>*</b> 4 <b>*</b> 4 <b>*</b> 6 <b>*</b> 6 <b>*</b> 6 <b>*</b> 6 <b>*</b>	<b>*</b>	<b>*</b> • • • • • • • • • • • • • • • • • • •	0.000/	<b>*</b> 4 *** *** ***	0.000/
Public Protection	\$1,125,929,069	\$1,154,900,802	\$1,186,663,611	\$1,213,516,840	2.26%	\$1,230,413,923	3.69%
Health & Community & Social Services	1,618,860,267	1,635,346,756	1,656,366,512	1,677,616,903	1.28	1,709,279,160	3.19
Infrastructure & Environmental Resources <sup>(2)</sup>	93,303,335	96,542,552	94,953,678	98,972,335	4.23	115,832,587	21.99
General Government & Services	169,868,087	175,633,084	173,691,755	175,235,341	.89	176,049,869	1.36
Capital Improvements (3)	52,724,769	58,804,388	62,300,193	70,473,040	13.12	71,029,396	14.01
Debt Service (4)	49,574,689	58,359,689	17,096,719	28,915,270	69.13	8,383,668	(50.96)
Insurance, Reserves & Miscellaneous (5)	40,952,526	41,997,963	60,005,390	88,233,890	47.04	85,891,839	43.14
Total Requirements	\$3,151,212,742	\$3,221,585,234	\$3,251,077,858	\$3,352,963,619	3.13%	\$3,396,880,442	4.48%
AVAILABLE FUNDS							
Property Taxes (6)	\$645,114,419	\$645,114,419	\$663,714,000	\$663,845,177	.02%	\$694,170,000	4.59%
Sales & Other Taxes	7,642,000	7,642,000	7,642,000	7,642,000	0.00	7,642,000	0.00
Licenses, Permits & Franchises	23,775,916	24,801,856	25,951,788	26,191,782	0.92	26,541,617	2.27
Fines, Forfeitures & Penalties (7)	33,973,817	33,973,817	33,713,028	63,426,590	88.14	32,279,708	(4.25)
Use of Money & Property (8)	5,768,004	15,960,550	6,837,144	6,837,144	0.00	8,783,507	28.47
Intergovernmental Revenues	1,631,370,024	1,648,932,484	1,639,778,744	1,650,849,929	.68	1,664,230,793	1.49
Charges for Services	431,860,909	441,372,018	476,842,109	478,731,879	.40	486,870,728	2.10
Miscellaneous Revenues <sup>(9)</sup>	24,057,729	25,629,773	21,121,389	19,813,105	(6.19)	27,192,253	28.74
Other Financing Sources (10)	329,742,934	345,247,026	373,477,656	404,386,614	8.28	439,124,505	17.58
Decreases to Reserves (11)	17,906,990	32,911,291	2,000,000	31,239,399	1,461.97	10,045,331	402.27
Total Available Funds	\$3,151,212,742	\$3,221,585,234	\$3,251,077,858	\$3,352,963,619	3.13%	\$3,396,880,442	4.48%

- (1) Final & Modified Budgets include all budget adjustments throughout the year after budget adoption.
- Fiscal Year 2017-18 includes increase in debt service for the South Orange County Public Financing Authority, Central Utility Facility Lease Revenue Bonds, Series 2016 and a decrease in billings for utilities and custodial services.
- (3) Fiscal Years 2015-16, 2016-17, and 2017-18 include one-time additional funding for planned capital projects.
- (4) Fiscal Year 2016-17 decrease is due to an end of bankruptcy contributions from OC Parks, OC Flood, OC Development Agency offset by reductions in debt service payments for the Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005. Fiscal Year 2017-18 decrease is due to a reduction in the final payment to remaining bankruptcy B-13 claimants.
- (5) Fiscal Years 2015-16, 2016-17, and 2017-18 includes AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State, \$15 million, \$25 million and \$50 million respectively, contingency funds for mid-year adjustments, and one-time capital projects.
- (6) Fiscal Years 2015-16, 2016-17, and 2017-18 increase is due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies.
- (7) Fiscal Year 2016-17 increase is due to one-time \$26 million litigation settlement from Tata who was contracted to develop a new property tax system.
- (8) Fiscal Year 2015-16 increase is due to an increase in billings for cost of services to cities which contract for Sheriff security services, increase in correctional medical services, and charges from Health Care Agency for Mental Health Services.
- (9) Fiscal Year 2017-18 increase is due to \$4.5 million revenue from the Sheriff Court Operations and other various increases.
- (10) 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.
- (11) Governmental Accounting Standards Board Statement 54 requires all year-end Fund Balance Available be reclassified and transferred to reserves. Although budgeted as a decrease, Fiscal Years 2015-16 and 2016-17 actual year-end Fund Balance reclassified and transferred to reserves were \$54,809,835, and \$46,745,332 respectively.

Source: County of Orange, County Budget Office.

#### NUMERICAL AND TABULAR INFORMATION

Pursuant to the Disclosure Certificate, the Numerical and Tabular Information herein consists of updated versions of the financial information and operating data contained in Tables A-3 through A-5 and Tables A-7 through A-13 in the Official Statement.

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

The following table, as in the form of Table A-3 in the Official Statement, presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net changes in fund balances for the governmental funds for the Fiscal Years ended June 30, 2016 and June 30, 2017.

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

# COUNTY OF ORANGE GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Fiscal Years Ending June 30, 2016 and June 30, 2017 (In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses			Net Change in Fund Balances						
		2016	20	017		2016		2017		2016		2017
General Fund	\$	3,038,491	\$ 3,	167,897	\$	2,975,161	\$	3,144,843	\$	63,330	\$	23,054
Flood Control District		128,929		151,353		116,206		144,469		12,723		6,884
Other Public Protection		63,506		79,074		63,656		81,587		(150)		(2,513)
Mental Health Services Act		116,978		153,076		115,244		138,075		1,734		15,001
Other Governmental Funds		904,098	1,	193,132		810,900		1,014,615		93,198		178,517
TOTAL	\$	4,252,002	\$ 4,	744,532	\$	4,081,167	\$	4,523,589	\$	170,835	\$	220,943

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017.

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

The following table, as in the form of Table A-4 in the Official Statement, sets forth the audited Total Governmental Funds and General Fund Combined Balance Sheet as of June 30, 2016 and June 30, 2017.

#### TABLE A-4

#### **COUNTY OF ORANGE GOVERNMENT FUNDS BALANCE SHEET<sup>(1)</sup>** June 30, 2016 and June 30, 2017 (In Thousands)

	June 30, 2016		June 30, 2017		
	Total Governmental Funds	General Fund	Total Governmental Funds	General Fund	
<u>ASSETS</u>					
Pooled Cash/Investments	\$1,924,174	\$ 419,457	\$2,115,332	\$ 531,226	
Cash/Cash Equivalents			12,188		
Imprest Cash Funds Restricted Cash and Investments with Trustee	1,834	1,834	1,834	1,834 1	
Investments	226,804 221,856	15 221,772	355,755 67,557	67,557	
Deposits In-Lieu of Cash	25		25		
Receivables					
Accounts	13,338	10,486	12,903	9,590	
Taxes	32,336	10,367	27,458	5,701	
Interest/Dividends	3,847	1,454	5,200 4,821	1,794 524	
Deposits Advances	4,667 30	562 30	4,821	524 40	
Allowance for Uncollectible Receivables	(5,119)	(4,844)	(4,422)	(4,077)	
Due from Other Funds	115,070	78,793	149,291	104,918	
Due from Component Unit	375	375	339	339	
Due from Other Governmental Agencies, Net	423,809	353,668	409,797	330,367	
Inventory of Materials and Supplies	1,574	891	1,501	838	
Prepaid Costs Advances to Other Funds	346,823 3,800	327,198 3,800	388,772 3,800	367,934 3,800	
Notes Receivable, Net	27,900	5,000	27,572	3,000	
Total Assets	\$3,343,143	\$1,425,858	\$3,579,763	\$1,422,386	
<u>LIABILITIES</u>	ψο,ο το, τ το	ψ., :=0,000	ψο,ο: ο,: οο	ψ1,122,000	
Accounts Payable	\$ 96.748	\$ 56.689	\$ 96.319	\$ 47,903	
Retainage Payable	4,363	1,495	5,708	1,750	
Salaries and Employee Benefits Payable	110,392	103,724	46,357	43,688	
Interest Payable	1,695	1,671	2,410	2,376	
Deposits from Others	63,141	1,615	50,569	1,534	
Due to Other Funds	114,802	35,954	145,072	43,725	
Due to Component Unit Due to Other Governmental Agencies	2 36,113	20,410	1 31,523	14,634	
Estimated Litigation and Claims	30,113	20,410	7,400	14,054	
Unearned Revenue	54,466	25,450	65,906	38,668	
Bonds Payable	334,275	334,275	375,540	375,540	
Advances from Other Funds	9,367	1,567	33,424	784	
Total Liabilities	825,364	582,850	860,229	570,602	
DEFERRED INFLOWS OF RESOURCES <sup>(2)</sup>					
Unavailable Revenue- Intergovernmental Revenues	110,476	68,501	95,639	58,651	
Unavailable Revenue- Senate Bill 90 Mandated Claims, Net	28,404	28,404	24,637	24,637	
Unavailable Revenue- Property Taxes	11,606	8,878	11,021	8,364	
Unavailable Revenue- Long-Term Notes Receivables	368		255		
Unavailable Revenue- Others	9,399	9,387	9,513	9,240	
Total Deferred Inflows of Resources	160,253	115,170	141,065	100,892	
FUND BALANCES					
Nonspendable <sup>(3)</sup>	352,390	331,889	394,269	372,572	
Restricted	1,528,635	49,230	1,674,989	39,581	
Assigned Unassigned	450,846 25,655	321,064 25,655	435,765 73,446	265,293 73,446	
Total Fund Balances	2,357,526	727,838	2,578,469	750.892	
		<del></del>			
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$3,343,143	\$1,425,858	\$3,579,763	\$1,422,386	

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, 2017 in Appendix A of this Annual Report.

See Note 1 the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2017" in Appendix A of this Annual Report.

See Note 1 the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2017" in Appendix A of this Annual Report.

Includes an amount equal to pension obligation bonds sold to prepay the subsequent year's pension obligations, which are reserved as nonspendable as a "prepaid cost". Pension prepayments represent \$327 million for Fiscal Year 2016 and \$368 million for Fiscal Year 2017. As a result, GASB 54 presentation does not represent the County's budgetary and financial planning allocation of fund balance.

Source: Orange County Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2016 and June 30, 2017.

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

The following table, as in the form of Table A-5 in the Official Statement, presents a more detailed summary of revenues, expenditures and changes in fund balances for the General Fund for the Fiscal Years 2013-14 through 2016-17.

#### **TABLE A-5**

#### COMPARISON OF STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE Fiscal Years Ending June 30 (In Thousands)

	2014	2015	2016	2017
REVENUES				
Taxes <sup>(1)</sup>	\$ 599,366	\$ 629,603	\$ 671,363	\$ 681,836
Licenses, Permits & Franchises	22,595	22,929	25,154	25,362
Fines, Forfeitures & Penalties	33,039	82,063	44,375	67,648
Use of Money and Property	5,260	5,272	18,318	6,733
Intergovernmental	1,593,107	1,602,817	1,626,855	1,613,969
Charges for Services	410,108	408,872	386,117	442,591
Other	13,124	15,601	18,648	17,790
TOTAL REVENUES	2,676,599	2,767,157	2,790,830	2,855,929
EXPENDITURES				
General Government	140,816	177,280	176,002	195,250
Public Protection	1,082,961	1,126,878	1,182,458	1,260,068
Public Ways and Facilities	35,570	32,192	30,792	30,633
Health and Sanitation	620,256	514,371	526,216	577,050
Public Assistance	795,582	851,488	881,261	891,309
Capital Outlay	12,454	18,901	20,794	23,532
Principal Retirement	21,622	21,568	4,530	5,129
Interest	9,844	8,172	7,451	8,564
Debt Issuance Costs	200			
TOTAL EXPENDITURES	2,719,305	2,750,850	2,829,504	2,991,535
Excess (Deficit) of Revenues Over Expenditures	(42,706)	16,307	(38,674)	(135,606)
Other Financing Sources (Uses)				
Transfers In <sup>(2)</sup>	203,257	234,086	247,661	311,968
Transfers Out <sup>(2)</sup>	(88,711)	(102,271)	(145,657)	(153,308)
Total Other Financing Sources (Uses)	114,546	131,815	102,004	158,660
Net Change in Fund Balances	71,840	148,122	63,330	23,054
Fund Balances – Beginning of Year	444,546	516,386	664,508	727,838
FUND BALANCES – End of Year	\$ 516,386	\$ 664,508	\$ 727,838	\$ 750,892

Primarily property taxes, as well as local sales and other taxes.

<sup>(2)</sup> Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 8 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2017" in Appendix A of this Annual Report.

Sources: Orange County Comprehensive Annual Financial Reports.

#### Table A-7 – County of Orange Detail of Assessed Valuation

The following table, as in the form of Table A-7 in the Official Statement, shows a history of assessed valuations in the County since Fiscal Year 2007-08.

TABLE A-7

COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION<sup>(1)</sup>

Fiscal Year	Secured	Unsecured	Total	% Change
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
2014-15	455,733,167,806	20,570,122,070	476,303,289,876	6.38
2015-16	485,007,445,623	19,642,914,061	504,650,359,684	5.95
2016-17	511,774,616,621	19,277,541,199	531,052,157,820	5.23

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

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

#### Table A-8 – County of Orange Largest Local Secured Taxpayers

The following table, as in the form of Table A-8 in the Official Statement, provides a list of the ten largest secured taxpayers in the County for the Fiscal Year 2017-18.

#### **TABLE A-8**

#### COUNTY OF ORANGE TOP TEN SECURED TAXPAYERS FISCAL YEAR 2017-18

	Taxpayers <sup>(1)</sup>	Secured Tax Charge	% of Taxes <sup>(2)</sup>
1.	Irvine Company	\$94,856,224	1.47%
2.	Walt Disney Parks & Resorts US	55,322,385	0.86
3.	Southern California Edison Company (Edison International)	38,457,750	0.59
4.	Five Points Holdings, LLC	19,541,581	0.30
5.	Sempra Energy (SDG&E, So. Cal. Gas)	10,785,475	0.17
6.	AT&T (Pacific Bell Telephone Company)	10,025,636	0.16
7.	United Laguna Hills Mutual (Laguna Woods)	9,882,519	0.15
8.	BEX Portfolio, Inc.	8,442,913	0.13
9.	Blackstone Real Estate Partners Fund (Ritz-Carlton, Montage)	7,571,665	0.12
10.	Bella Terra Associates, LLC	5,949,022	0.09
	TOTAL	\$260,835,170	4.03%

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

Total Secured Taxes as of September 30, 2017 was \$6,464,862,139. Source: County of Orange Treasurer-Tax Collector.

#### Table A-9 - County of Orange Top Ten Unsecured Taxpayers

The following table, as in the form of Table A-9 in the Official Statement, provides a list of the ten largest unsecured taxpayers in the County for the Fiscal Year 2017-18.

#### TABLE A-9

#### COUNTY OF ORANGE TOP TEN UNSECURED TAXPAYERS FISCAL YEAR 2017-18

	Taxpayers <sup>(1)</sup>	Unsecured Tax Charge	% of Taxes <sup>(2)</sup>
1.	Charter Communications, Inc.	\$3,783,915	0.93%
2.	Cox Communications, Inc.	2,614,215	0.65
3.	Boeing Company	2,463,752	0.61
4.	Broadcom Corporation	1,517,019	0.37
5.	Southwest Airlines Company	1,454,917	0.36
6.	Allergan	1,313,276	0.32
7.	Panasonic Avionics Corporation	1,289,557	0.32
8.	Jazz Semiconductor, Inc.	1,276,757	0.32
9.	Applied Medical	1,274,081	0.31
10.	Kimberly-Clark Worldwide, Inc.	1,209,888	0.30
	TOTAL	\$18,197,377	4.49%

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

Source: Orange County Treasurer-Tax Collector.

<sup>(2)</sup> Total Unsecured Taxes as of September 30, 2017 are \$405,006,210.

#### Table A-10 - County of Orange Outstanding Long-Term Debt and Lease Obligations

The County's outstanding long-term debt as of June 30, 2017 is shown in the following table, as in the form of Table A-10 in the Official Statement.

#### **TABLE A-10**

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

Description	Source of Repayment	Princ	itstanding ipal Balance ne 30, 2017)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	\$	810,389	2018
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005	General Fund	\$	5,590,000	2017
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A <sup>(1)</sup>	General Fund	\$	11,222,539	2021
Orange County Public Financing Authority Lease Revenue Bonds, Series 2006 (Cogeneration Project)	General Fund	\$	4,000,000	2018
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	\$	10,365,000	2019
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	\$	27,868,000	2018
South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016	General Fund	\$	54,345,000	2036
SUBTOTAL- GENERAL FUND OBLIGATIONS		\$	114,200,928	
Airport Revenue Bonds, Series 2009A	Airport Revenues	\$	59,155,000	2039
Airport Revenue Bonds, Series 2009B	Airport Revenues	\$	130,385,000	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	\$	9,895,000	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	\$	14,895,000	2023
TOTAL		\$	328,530,928	

The outstanding Taxable Refunding Pension Obligation Bonds, Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of \$175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

Source: County of Orange, CEO Public Finance Unit.

#### **Table A-11 – County of Orange Capital Lease Payments**

The following table, in the form of Table A-11 in the Official Statement, is a schedule by years of future minimum lease payments required by the County under capital leases together with the present value of net minimum lease payments, as of June 30, 2017.

#### **TABLE A-11**

#### COUNTY OF ORANGE CAPITAL LEASE PAYMENTS (In Thousands)

Fiscal Year Ending June 30	
2018	\$ 16,139
2019	9,414
2020	9,538
2021	8,601
2022	6,993
2023-2027	20,034
Total Minimum Lease Payments	70,719
Less: Amount Representing Interest	(14,888)
Present Value of Net Minimum Lease Payments	\$ 55,831

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2017.

#### **Table A-12 – County of Orange Operating Lease Payments**

The following table, in the form of Table A-12 in the Official Statement, is the future minimum operating lease commitments of the County as of June 30, 2017.

TABLE A-12

## COUNTY OF ORANGE OPERATING LEASE PAYMENTS (In Thousands)

Fiscal Year Ending June 30	Equipment	Real Property	Total
2018	\$ 2,729	\$ 28,319	\$ 31,048
2019	259	25,134	25,393
2020	88	24,735	24,823
2021	32	24,810	24,842
2022	16	20,964	20,980
2023-2027		68,097	68,097
2028-2032		13,403	13,403
Total	\$ 3,124	\$ 205,462	\$ 208,586

Total expenditures for equipment rentals and building and improvements incurred for FY 2016-17 was \$54,309. Source: Orange County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2017.

#### Table A-13 - County of Orange Direct and Overlapping Debt

Set forth in the following table, in the form of Table A-13 in the Official Statement, is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of June 30, 2017. The Debt Report is included for general information purposes only. Neither the County nor the underwriter makes any representations as to its completeness or accuracy. Some of the issues may be payable from self-supporting enterprises or revenue sources other than property and other taxes.

#### TABLE A-13

#### COUNTY OF ORANGE DIRECT AND OVERLAPPING DEBT As of June 30, 2017

2017-18 Assessed Valuation: \$563,662,044,297 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:  Metropolitan Water District Coast Community College District North Orange County Joint Community College District Rancho Santiago Community College District and School Facilities Improvement District No. Unified School Districts Anaheim Union High School District Fullerton Joint Union High School District Huntington Beach Union High School District Elementary School Districts Irvine Ranch Water District Improvement Districts	0.146-100.000 100.000 91.701 100.000 100.000 100.000	Debt 1/1/18 \$ 15,230,434 781,326,691 201,345,667 368,129,249 1,620,230,056 117,528,955 111,568,022 187,069,998 609,453,502 570,200,000
Moulton-Niguel Water District Improvement Districts Santa Margarita Water District Improvement Districts Cities Orange County Community Facilities Districts Other Community Facilities Districts City and Special District Special Assessment Bonds County 1915 Act Bonds TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	100.000 100.000 100.000 100.000 100.000 100.000 100.000	2,830,000 74,380,000 28,030,000 415,326,990 1,962,677,288 835,488,839 41,815,000 \$7,942,630,691
OTHER DIRECT AND OVERLAPPING DEBT: Orange County General Fund Obligations Orange County Office of Education Certificates of Participation Coast Community College District Certificates of Participation Unified School District Certificates of Participation High School District Certificates of Participation Elementary School District Certificates of Participation City of Anaheim General Fund Obligations Other City General Fund Obligations Moulton-Niguel Water District Certificates of Participation TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT Less: City of Anaheim supported obligations TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT	100.000% 100.000 100.000 99.999 0.146-100.000 91.701-100.000 100.000 100.000 100.000 100.000	\$ 221,512,000 278,759,389 14,440,000 3,449,966 369,676,183 119,854,798 108,508,253 606,340,522 440,978,674 72,265,000 \$2,235,784,785 606,340,522 \$1,629,444,263
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): Anaheim Redevelopment Agency Brea Redevelopment Agency Westminster Redevelopment Agency Fullerton Redevelopment Agency Buena Park Redevelopment Agency Other Redevelopment Agencies TOTAL OVERLAPPING TAX INCREMENT DEBT  GROSS COMBINED TOTAL DEBT NET COMBINED TOTAL DEBT	100.000% 100.000 100.000 100.000 100.000 100.000	\$ 193,960,000 135,446,668 118,000,000 78,595,000 72,160,000 <u>439,793,707</u> \$1,037,955,375 \$11,216,370,851 <sup>(1)</sup> \$10,610,030,329
Ratios to 2017-18 Assessed Valuation:  Total Direct and Overlapping Tax and Assessment Debt		

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

Source: California Municipal Statistics, Inc.

#### INVESTMENT POLICY

The Board of Supervisors of the County approved the 2018 Investment Policy on November 14, 2017. A copy of the Investment Policy is attached hereto as Appendix B.

#### **CERTAIN DISCLAIMERS**

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

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

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

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

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

The information set forth herein, including information provided by others or incorporated by reference, is believed by the County and the OCPFA to be reliable but has not been independently verified by the County and the OCPFA and is not guaranteed as to accuracy by the County and the OCPFA.

#### **APPENDIX A**

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2017

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## County of Orange

State of California

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2017







Eric H. Woolery, CPA Auditor-Controller

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### AUDITOR-CONTROLLER COUNTY OF ORANGE

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## COUNTY EXECUTIVE OFFICE COUNTY OF ORANGE

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

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#### December 14, 2017

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, 2017, 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, 2017, 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, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

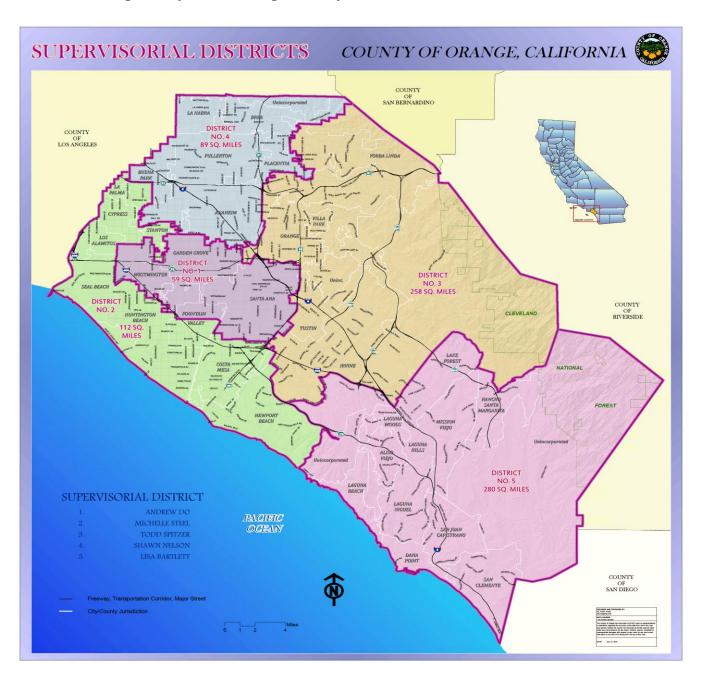
#### PROFILE OF THE GOVERNMENT

The County, incorporated in 1889 and located in the southern part of the State of California, is one of the major metropolitan areas in the state and nation. The County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of over 3 million. It represents the third most populous county in the state and ranks sixth in the nation.

The County 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 in the Orange County Employees Retirement System (OCERS) or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. In June 2012, voters approved Measure B, which requires that any Orange County Supervisors elected or appointed on or after June 5, 2012 can enroll only in the minimum pension option, i.e., the least lucrative pension plan, offered to Orange County employees. At present, the minimum pension plan is a 1.62% at 65 pension

plan. This measure amends the County Charter and applies to any current or previous Supervisor. In June 2016, voters approved Measure B, which requires the County Auditor-Controller to review any Countywide measure placed on the ballot and prepare a fiscal impact statement.

The County is like a general law county and 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 16 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 services for cities. These services are outlined in the following table:

Countywide Services		
Affordable Housing (Housing Authority)	Veterans Services	
Agricultural Commissioner	Indigent Medical Services	
Airport	Jails & Juvenile Facilities	
Child Protection & Social Services	Juvenile Justice Commission	
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	Property Tax Assessment, Apportionment & Collection	

Unincorporated Area Services		
Animal Care & Control	Libraries	
Flood Control	Parks	
Land Use	Waste Disposal Collection	
Law Enforcement		

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

Sources: County departments

In addition to these services, the County is also financially accountable for the reporting of component units. 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 discretely presented component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The County's fiduciary component unit, County of Orange Redevelopment Successor Agency (Successor Agency), was established as a result of the dissolution of the former Orange County Development Agency. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2017: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, Orange County Public Facilities Development Corporation, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, County Service Areas, Special Assessment Districts, Community Facility Districts, and In-Home Supportive Services Public Authority. Additional information on these entities can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

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

appropriations do not lapse at year-end; outstanding encumbrances are carried forward. Additional information on the budgetary process can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

The County's eGovernment website portal at <a href="www.ocgov.com">www.ocgov.com</a> provides online services and extensive information about the County government to Orange County residents, businesses, partners, and visitors. It includes information about the Board, County job listings, purchasing bid solicitations, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting videos, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, license pets, view and pay property taxes, request and track services provided by OC Public Works such as pothole repair and sidewalk maintenance, and subscribe to receive emergency alerts. The County continuously strives to improve our constituent's ability to conduct business online.

#### 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.

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 the California Department of Finance, inflation, as measured by the increase of the Consumer Price Index (CPI) in 2017, is expected to be 2.8% for Orange County, lower than the State of California at 3.0%, but higher than the U.S. at 2.3% (see Table 2).

**Table 1: Unemployment Rate Comparison** 

Primary Government Entity	August 2017 Unemployment Rate		
United States	4.5%		
California	5.4%		
Riverside County	6.5%		
San Bernardino County	5.8%		
Los Angeles County	5.4%		
San Diego County	4.7%		
Orange County	4.2%		

#### **Unemployment Rate**

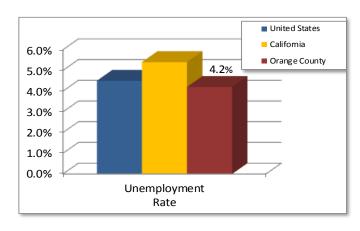


Table 2: 2017 - Projected Increase of the CPI

United States	California	Orange County
2.3%	3.0%	2.8%

Sources: State of California, Employment Development Department

California Department of Finance, April 2017

Note: Unemployment rates are for the month of August 2017

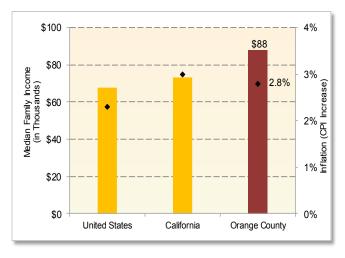
According to the Department of Housing and Urban Development, Orange County's median family income is expected to be \$88,000 (absolute dollars) in 2017, compared to \$85,000 (absolute dollars) in 2016. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California, and the nation (see Table 3).

**Table 3: Median Family Income Comparison** 

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$68,000
California	\$73,300
Orange County	\$88,000
San Diego County	\$79,300
Los Angeles County	\$64,300
Riverside County	\$63,200

Sources: U.S. Department of Housing and Urban Development, 2017

### Comparisons of Inflation and Median Family Income



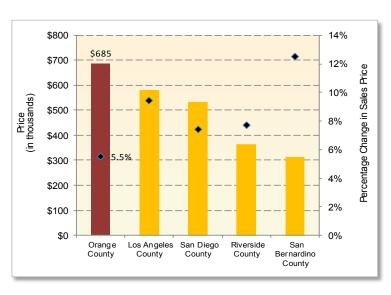
Sources: California Department of Finance, April 2017 U.S. Department of Housing and Urban Development, 2017 According to CoreLogic Information Systems, the median home sales price for new and existing homes in Orange County was \$685,000 (absolute dollars) in August 2017, representing a 5.5% increase relative to August 2016. 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 job growth expected to be 1.5% in 2017.

Table 4: Median Home Sales Price Comparison-Southern California Counties – August 2017

Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Orange County	5.5%	\$685,000
Los Angeles County	9.4%	\$580,000
San Diego County	7.4%	\$535,000
Riverside County	7.7%	\$365,000
San Bernardino Count	y 12.5%	\$315,000

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



Sources: CoreLogic Information System, August 2017

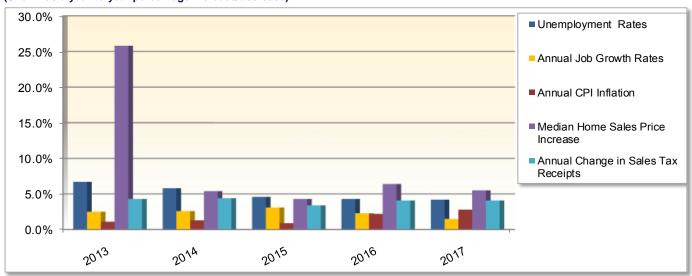
Table 5 shows various internal indicators reflecting steady growth of Orange County's economy. The unemployment rate decreased to 4.2% for the month of August 2017 relative to 4.3% for the month of August 2016. Job growth is expected to decrease to 1.5% in 2017. Median home prices increased by 5.5% in August 2017, relative to 6.4% in August 2016. Annual change in sales tax receipts is forecasted to be 4.1% in 2017.

**Table 5: Orange County Historical Data** 

Historical Indicators	2013	2014	2015	2016	2017
Unemployment Rates	6.7%	5.4%	4.6%	4.3%	4.2%
Annual Job Growth Rates	2.5%	2.6 %	3.1%	2.3%	1.5%
Annual CPI Inflation	1.1%	1.3%	0.9%	2.2%	2.8%
Median Home Sales Price Increase	25.8%	5.4%	4.3%	6.4%	5.5%
Annual Change in Sales Tax Receipts	4.3%	4.4%	3.4%	4.1%	4.1%

Data in Table 5 for prior years may be different from previous years CAFR due to the timing of obtaining data Data for 2017 is based on forecasted data

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



Sources: State of California, Employment Development Department Economic & Business Review, Chapman University, June 2017 Corelogic Information Systems, August 2017 California Board of Equalization

In summary, the economy in Orange County continues to show signs of moderate but 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, capital and information technology needs for current programs and services and anticipated caseload changes. New programs, services and capital projects are identified and prioritized on a Countywide basis with financial impacts identified over the plan period. The plan covers a five-year period and includes a ten-year analysis of operating costs in cases where new programs and facilities are assessed to ensure the ability to pay for long-term operational costs.

The 2017 Strategic Financial Plan (SFP) was presented to the Board on December 12, 2017. The 2017 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary control via the quarterly budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue growth will be in the range of 4.5% for the first year of the plan with growth rates averaging 3.1% 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 growth.

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

- The SFP reflects a 0% increase in Net County Cost allocations to departments for the fiscal year 2018-19, and 1% for each of the following fiscal years, with the remaining excess funds distributed and/or set-aside to address the most critical strategic needs for the County
- Continuation of the policy to not backfill State budget reductions
- Position Policy: delete aged 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 various stages of planning and implementing several other projects. Financial plans are in place for the upgrade of the 800 MHz Countywide Coordinated Communications System, replacement of the Central Utility Facility infrastructure, new OC Animal Care Center, Bridges at Kraemer Place and other homelessness initiatives, and the first phase of the Civic Center Facilities Master Plan. Development of the County property at the former Marine Corps Air Station El Toro in Irvine and other various County-owned properties such as the Greenspot and Prado Dam properties will require up-front financial planning and investment in order to generate revenue in future years on a long-term basis.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARMP) was initiated in 1964, in partial response to a resolution of the United States House Committee on Public Works adopted May 8, 1964. A survey report was completed by the Orange County Flood Control District in 1975. The report was reviewed and submitted to Congress in September 1978. In September 1980, the United States Army Corps of Engineers completed the General Design Memorandum for the SARMP. Construction for the SARMP was authorized by the Water Resources Development Act of 1986. Construction for the SARMP was initiated in 1989, and completion is scheduled for December 2029.

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

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Revitalization Plan (Plan) includes revitalization of Dana Point Harbor's commercial core, marinas, and hotel. The Plan is a multi-phased and long-term public-private partnership project, where total development costs have been estimated in excess of \$150,000 pending final project design approvals. The Plan is a phased and systematic long-term rehabilitation and/or replacement of the commercial core, hotel, and waterside elements. County Executive Office Real Estate staff managed the process for selection of a potential private partner for the project and are working with OC Parks staff to finalize the financial strategy for the complete Plan that will meet the long-term needs and expectations of the community and the County. On October 17, 2017, the County selected Dana Point Harbor Partners, LLC (DPHP) as the primary developer and Dana Point Partners, LLC as the alternate developer for the lease, development, and management of certain portions of Dana Point Harbor. The Board authorized the Chief Real Estate Officer (or Designee) to negotiate option and lease agreements with DPHP as primary developer and return to the Board for approval.

<u>James A. Musick Facility Expansion:</u> On March 8, 2012, the County received a conditional award from the State for \$100,000 in funds for expansion of the James A. Musick Facility Assembly Bill 900 (AB900). On March 8, 2013, the State approved the funding to complete design and construction for the project, of which establishment allows the

County to commit funding to design and construction that is reimbursed from the AB900 Phase II \$100,000 award. This project is estimated for completion in FY 2020-21. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past eligible costs incurred can be invoiced for reimbursement by the State in full, and all future costs will be invoiced for reimbursement by the State on an ongoing basis until construction completion and occupancy. It is anticipated that costs will be reimbursed beginning in FY 2018-19.

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

La Pata Avenue Gap Closure and Camino Del Rio Extension Project: The County is nearing completion of the construction of the La Pata Avenue Gap Closure Project (Project) that widens La Pata Avenue and implements 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 Proposition 1B, Orange County Measure M1 and M2, gas tax, La Pata Fee Program, OC Waste & Recycling, developer agreement, and community facility district revenues. A construction contract for \$72,741 was awarded by the Board on December 10, 2013 and a construction management contract for \$7,706 was awarded on February 4, 2014.

The groundbreaking ceremony was held on April 4, 2014. The ribbon cutting ceremony for the roadway gap closure was held on August 13, 2016 and the roadway was open to the public on August 14, 2016. Construction of the Camino Del Rio Extension Phase was completed in April 2017. Completion of the final phase of the La Pata Widening is anticipated in July 2018.

<u>Bridges at Kraemer Place Year-Round Emergency Shelter (Bridges)</u>: On November 17, 2015, the Board approved the acquisition of 1000 N. Kraemer Place for \$4,250 as the site of a new 200-bed Year-Round Emergency Shelter and Multi Service Center to serve the homeless with \$1,250 in funding support from the cities of Anaheim, Fullerton, Brea, and La Habra. Bridges currently has a 100 person capacity, with a second phase to be completed in 2018 bringing the total capacity to 200 occupants.

OC Animal Care Center: In December 2015, the Board approved negotiated terms for a land swap between the County, the South Orange County Community College District, and the city of Tustin regarding ten acres of land for the construction of a new state-of-the-art OC Animal Care Center to replace the existing shelter in the city of Orange. Construction on the new center began in July 2016, and completion is expected in January 2018. The expected opening date of the new center is March 2018.

Central Utility Facility (CUF) Infrastructure Upgrade Project: The County is approximately 75% complete with construction of the CUF Project (Project) in the city of Santa Ana. The Project replaces the cooling tower, chillers and pumps and has added a boiler and related equipment at the CUF. The final Project will replace most of the original 1968 CUF components which are beyond useful life and required upgrades and replacement to be reliable and energy efficient. The Project also includes expansion of the present thermal utility distribution system to new thermal utility clients and improving the cogeneration system efficiency and performance by using the full capacity of the cogeneration components. The primary component of the thermal expansion is the replacement of chilled water lines which are now approximately 90% complete with construction. The total Project is on budget at an estimated \$68,000 and is funded from CUF Lease Revenue Bonds, Series 2016 issued in June 2016. A Guaranteed Maximum Price Contract of \$59,165 to provide construction manager at risk construction phase services for the Project was awarded by the Board on January 26, 2016. The Project Architect-Engineer (A&E) Agreement was amended on April 26, 2016 for a new total not-to-exceed amount of \$7,063. The A&E contract includes engineering and design for the Project, construction observation, commissioning, and support services. The completion of the Project is anticipated in April 2018.

Orange County Civic Center Facilities Master Plan: On April 23, 2013, the Board adopted an ordinance approving a public-private partnership to develop the Civic Center Facilities Strategic Plan. On February 24, 2016, the Board

approved a Program Management and Design Agreement for Phase I planning and design of the Orange County Civic Center Facilities.

Included in Phase I is a six-story, approximately 254,000 square foot building located at 601 N. Ross Street. Building 16 is to be occupied by several County departments and includes a one-stop shop public counter where the public will access services from multiple departments. There will be a 6,600-square-foot event/conference center which is planned to be used by the County and the public. There will be 350 underground parking spaces. The expected completion date is January 2020.

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

## **Relevant Financial Policies**

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

#### **General Fund Reserves Policy**

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

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

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

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

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

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

#### **Reserve Targets and Descriptions**

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

In implementing the GFOA's best practice, the County elected to establish a funding target based upon two months of General Fund operating revenues. Analysis of the historical average of two months of operating revenues, as well as FY 2017-18 adopted budgeted revenues, yielded a funding target of approximately 17% of General Fund operating revenues.

## **Contingencies**

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

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

	Relevant Financial Policies
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.
Information Technology Projects	The five-year Information Technology Plan (ITP) is a compilation of significant IT projects including upgrades or replacements of existing systems, greater or equal to \$150 and less than \$1,000 in any one fiscal year of the five years in the plan. Costs for ongoing system support and maintenance are included. The ITP is a tool used by the County to assess IT projects, leverage overlap, and prioritize the use of County General Funds available to IT projects.
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.
Contingency Planning Policy	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 \$113,356. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 30, 2017 balance is \$65,000, approximately \$48,356 below the target.
	In addition to the reserve for contingencies, the County budgets an annual appropriation for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities of no less than \$5,000 in the General Fund.
Debt Disclosure Practices	The County presents a set of debt disclosures in the County's adopted Budget document and the CAFR, as well as Continuing Disclosure Annual Reports on its website and the Electronic Municipal Market Access (EMMA) repository.

	Relevant Financial Policies (Continued)
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 Policy is intended to maintain long-term financial stability by ensuring that its long-term financing commitments are affordable and do not create undue risk or burden, achieve and maintain high credit ratings, minimize debt service interest expense and issuance costs, provide accurate and timely financial disclosure and reporting, and comply with applicable State and Federal laws and financing covenants.
Public Financing Advisory Committee	The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, and modification or denial of debt financing proposals. No County debt financing proposal is considered by the Board unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members, each representing a district, and three Ex-Officio County government members (the County Executive Officer (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 that provides oversight of the activities of the County Auditor-Controller's Internal Audit Division and the County's external audit coverage, including financial reporting and federal and state audit activities, and discusses the adequacy of the County's internal control structure. The AOC membership includes the Chair and Vice-Chair of the Board, the County Executive Officer, and five private sector members appointed by the Board. The private sector members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.
Treasury Oversight Committee	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 Treasurer's operations which become known to the TOC. The TOC will develop and document policy and procedures to investigate and report such irregularities.
	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, the County Executive Officer, the elected County Superintendent of Schools, or their respective designees, and four members of the public. The public members shall be nominated by the Treasurer and confirmed by the Board.
24/7 Fraud Hotline	The Fraud Hotline is part of an ongoing fraud detection and prevention effort. The Fraud Hotline is intended for use by County employees, the general public, or vendors for reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.

#### **Major Initiatives**

<u>Funding Equity:</u> The County 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 could affect other counties receiving more of their share of taxes, as well as other taxing entities such as cities, special districts, and schools, which have constitutional protections for state funding. Therefore, the answer to assuring funding equity for Orange County lies in increasing funding, programs, and partnerships that specifically benefit County programs and services. When the state shifts or adds responsibilities at the county level, the County will seek enough funding for those programs to ensure their success. The County's robust legislative agenda seeks creative and substantive ways to assure our residents are provided with their fair share of the taxes they pay to support the programs and services they deserve.

<u>State Prison Realignment:</u> With the passage of Assembly Bill 109 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. The County accounts for 8.1% of the state's population and 6.4% of the total prison population. In FY 2016-17, the County spent \$77,876 and carried over \$0 surplus to FY 2017-18.

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. On November 4, 2014, voters passed Proposition 47, "The Safe Neighborhood and Schools Act," which reduced the classification of most non-serious, non-violent property and drug crimes from felonies to misdemeanors. This change reduced the number of new felony cases and permitted re-sentencing for anyone currently serving a sentence for those offenses, ultimately reducing the AB 109 and general jail populations. This change resulted in lower felony caseloads and a temporary increase in workloads due to the large number of resentencing hearings.

<u>Labor Agreements:</u> Most County employees are represented by one of 17 bargaining units, which are separated into eight labor organizations. The principal organization is the Orange County Employees Association (OCEA), which represents six bargaining units totaling about 9,765 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs, which represents three bargaining units totaling about 2,795 members and the American Federation of State and Municipal Employees at about 1,433 members. All contracts have been successfully negotiated and County employees continue to work under their contract terms with no interruption.

### **AWARDS AND ACKNOWLEDGEMENTS**

<u>GFOA Awards:</u> The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the year ended June 30, 2016; this represents the County's 22<sup>nd</sup> consecutive award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

In addition, the County issued its 14th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2016. 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 <a href="http://www.ac.ocgov.com">http://www.ac.ocgov.com</a>

<u>Distinguished Budget Presentation Award:</u> The GFOA awarded a Distinguished Budget Presentation Award to the County for its FY 2016-17 Annual Budget; this is the County's first such award. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

<u>Counties Financial Transactions Reporting Award:</u> The County received the Financial Transactions Reporting Award from the State Controller's Office for its Year-End Financial Transaction Report for the fiscal year ended June 30, 2016. The award is in recognition of the professionalism demonstrated by Counties in preparing accurate and timely financial reports and for those counties that meet the review criteria of the award program.

<u>Acknowledgments:</u> 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 activities of the County of Orange.

Respectfully submitted,

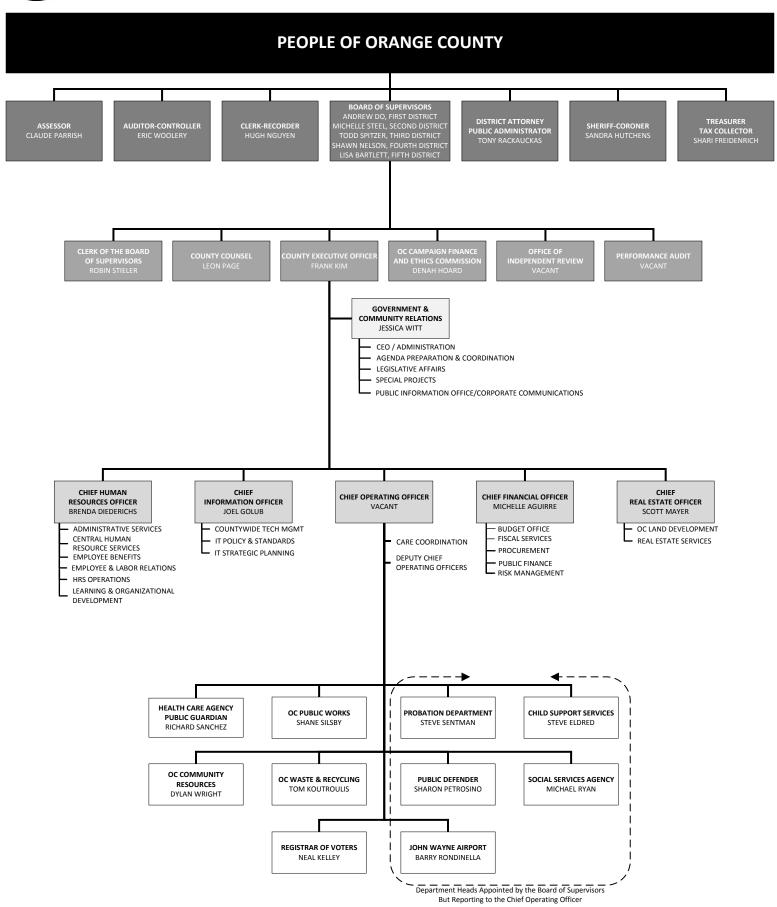
Eric H. Woolery, CPA Auditor-Controller

Michelle Ag**l**irre Chief Financial Officer





## County of Orange Organizational Chart











## **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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Flood Control District Fund, Other Public Protection Fund, and Mental Health Services Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 17 to the basic financial statements, the total net pension liability of the County as of June 30, 2017, which was measured as of December 31, 2016, was \$4.04 billion for the Orange County Employees Retirement System (OCERS). The fiduciary net position as a percentage of the total pension liability as of December 31, 2016, was 69.56% for OCERS. The actuarial valuation is very sensitive to the underlying actuarial assumptions, including a discount rate of 7.25%, which represents the long-term expected rate of return for OCERS. Our opinion is not modified with respect to this matter.

#### Other Matters

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to the OCERS, schedules related to the Orange County Extra-Help Defined Benefit Plan, and schedule related to the Orange County Retiree Medical Plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

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

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

Newport Beach, California

Macias Gini É O'Connell LAP

December 14, 2017





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

This section of the County's Comprehensive Annual Financial Report (CAFR) provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2017. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County's overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

#### FINANCIAL HIGHLIGHTS

- Total change in net position, which is the difference between total revenues (including transfers in) and expenses (including transfers out), was \$319,442 for the fiscal year, and it increased net position by 15% from prior year.
- Long-term debt obligations decreased by \$98,581 or 21% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of \$2,578,469, an increase of \$220,943, or 9% in comparison with the prior year.
- General Fund revenues and other financing sources 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 Financi	al Statements									
Government-wide	Fund Financial Statements										
Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds								
Statement of	Balance Sheet	Statement of Net Position	Statement of Fiduciary								
Net Position	Statement of Revenues, Expenditures, and	Statement of Revenues, Expenses, and Changes in	Net Position								
Statement of	Changes in Fund Balances	Fund Net Position	Statement of								
Activities	Budgetary Comparison Statements	Changes in Fiduciary Net Position									
	Notes to the Basic F	inancial Statements									

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

	Government-wide	Fund Financial Statements									
	Statement of Activities  Statement of Statement of Revenues Expenditures, and Changes in Fund Balances  Budgetary Comparison Statements  Entire entity (except fiduciary funds)  Day-to-day operating activities for basic services  unting Basis Accrual accounting and economic resources  Modified accrual accounting and economic resources		Proprietary Funds	Fiduciary Funds							
Type of Financial Statement		Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position							
		Changes in Fund Balances Budgetary Comparison	Statement of Revenues, Expenses, and Changes in Fund Net Position  Statement of Cash Flows	Statement of Changes in Fiduciary Net Position							
Scope		activities for basic	Day-to-day operating activities for business-type services	Resources on behalf of others							
		33.7733	typo od Mode								
Accounting Basis and Measurement Focus			Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus (except for agency funds)							
Type of Asset, Deferred Outflows of Resources, Liability, and Deferred Inflows of Resources Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, shorterm and long-term	Current assets, liabilities, and deferred inflows of resources that come due during the year or soon thereafter	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources held in a trustee or agency capacity for others							
Type of Inflows and Outflows Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures for when goods or services have been received, and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid							

#### **Government-wide Financial Statements**

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

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

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

#### **Fund Financial Statements**

- Fund a separate accounting entity with a self-balancing set of accounts.
- Focus is on <u>major funds</u>.
- 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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are prepared for the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to facilitate comparisons between governmental funds and governmental activities. The primary differences between the government-wide and fund financial statements relate to noncurrent assets, such

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

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

<u>Proprietary Funds</u> - 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 CNG activities. **Internal Service funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, transportation, publishing services, and information technology. Because these services predominantly benefit governmental rather than business-type functions, Internal Service funds have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Airport and 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 fund financial statements with the individual fund data provided in the combining statements, which can be found in the Supplemental Information Section of this CAFR.

<u>Fiduciary Funds</u> - 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 <u>not</u> reported in the government-wide financial statements because the resources of these funds are not available to support the County's programs. The combining statements for fiduciary funds are included in the Supplemental Information Section of this CAFR.

#### **Notes to the Basic Financial Statements**

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

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

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At June 30, 2017, the County's combined net position (governmental and business-type activities) totaled \$2,505,151, an increase of 15% from FY 2015-16.

The largest component of the County's net position, which totals \$3,521,582, was **net investment in capital assets**, which represents the County's investment in capital assets less any related outstanding debt used to acquire those assets and debt-related deferred outflows and inflows of resources. The County's capital assets are used to provide needed services to its citizens. Since the capital assets

## **COMPONENTS OF NET POSITION**

- Net Investment in Capital Assets
- Restricted
- Unrestricted

themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The County's **restricted** net position of \$1,595,032 represents resources that are subject to external restrictions on their use and are available to meet the County's ongoing obligations for programs with external restrictions. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation including those passed by the County itself.

The **unrestricted** net position is the final component of net position. Unrestricted net position is resources that the County may use to meet its ongoing obligations to citizens and creditors. As of June 30, 2017, the County's unrestricted net position totals a deficit of \$2,611,463. Among governmental activities, the deficit was \$3,074,958 in unrestricted net position compared to the deficit of \$2,979,945 at June 30, 2016. The main contributor of the deficit continues to be the reporting of the County's proportionate share of net pension liability on the financial statements.

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

NET POSITION – Primary Government June 30, 2017 and 2016										
	G	overi	nme	ental	Busine	ss-Type				
		Acti	vitie	es	Acti	vities		Т	otal	
	2017			<u>2016</u>	<u>2017</u>	2016	3	<u>2017</u>		<u>2016</u>
ASSETS										
Current and Other Assets	\$ 3,635	,467	\$	3,451,250	\$ 895,588	\$ 87	8,991	\$ 4,531,055	\$	4,330,241
Capital Assets	2,933	,640		2,808,923	897,739	84	8,929	3,831,379		3,657,852
Total Assets	6,569	,107		6,260,173	1,793,327	1,72	7,920	8,362,434		7,988,093
DEFERRED OUTFLOWS OF RESOURCES	822	,809		1,097,039	17,251	2	2,951	840,060		1,119,990
Total Deferred Outflows of Resources	822	,809		1,097,039	17,251	2	2,951	840,060		1,119,990
LIABILITIES										
Long-term Liabilities	4,893	,118		5,197,639	454,141	46	6,575	5,347,259		5,664,214
Other Liabilities	696	,941		724,748	94,819	7	8,920	791,760		803,668
Total Liabilities	5,590	,059		5,922,387	548,960	54	5,495	6,139,019		6,467,882
DEFERRED INFLOWS OF RESOURCES	546	,666		444,828	11,658		9,664	558,324		454,492
Total Deferred Inflows of Resources	546	,666		444,828	11,658		9,664	558,324		454,492
NET POSITION										
Net Investment in Capital Assets	2,813	,296		2,707,493	708,286	66	3,280	3,521,582		3,370,773
Restricted	1,516	,853		1,262,449	78,179	6	7,429	1,595,032		1,329,878
Unrestricted	(3,074	,958)	1	(2,979,945)	463,495	46	5,003	(2,611,463)		(2,514,942)
Total Net Position	\$ 1,255	,191	\$	989,997	\$ 1,249,960	\$ 1,19	5,712	\$ 2,505,151	\$	2,185,709

As of June 30, 2017, the County's total assets and deferred outflows of resources increased by 1% or \$94,411 during the current fiscal year. Capital assets increased by \$173,527 primarily due to construction projects for Airport Terminal Improvements, Central Utility Facilities Upgrade, OC Animal Care Center, and various other projects completed for road infrastructure. In addition, there was an increase of \$200,814 in current and other assets primarily due to an increase in restricted cash and cash equivalents for a loan provided by the California Municipal Finance Authority for the Civic Center Facilities Master Plan construction. Offsetting these increases was a decrease for deferred outflows of resources of \$279,930 primarily due to a decrease in deferred outflows related to pension which reflects the changes in net pension liability measurements as required by GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27," (GASB Statement No. 68).

Total liabilities and deferred inflows of resources for FY 2016-17 decreased by 3% or \$225,031. Long-term liabilities decreased by 6% or \$316,955, primarily due to a decrease in the County's proportionate share of the net pension liability and decrease in bonds payable. Offsetting this decrease was an increase in long-term liabilities due to the loan for the Civic Center Facilities Master Plan construction project. Deferred inflows of resources related to pension increased by 23% or \$103,832, calculated as required by GASB Statement No. 68.

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

CHANGES IN NET POSITION – Primary Government For the Years Ended June 30, 2017 and 2016												
		mental		ss-Type	_	1-1						
	2017	<u>2016</u>	2017	vities 2016	<b>To</b> 2017	<u>2016</u>						
REVENUES	<u> 2017</u>	<u> 2010</u>	<u> 2017</u>	<u>2016</u>	<u> 2017</u>	<u> 2016</u>						
Program Revenues:												
Charges for Services	\$ 624,210	\$ 557,450	\$ 304,350	\$ 297,293	\$ 928,560	\$ 854,743						
Operating Grants and Contributions	2,067,777	2,037,311	69	171	2,067,846	2,037,482						
Capital Grants and Contributions	113,481	105,776	1,828	2,174	115,309	107,950						
General Revenues:			, , , , ,	,	.,	. ,.,.						
Property Taxes	510,072	500,507			510,072	500,507						
Property Taxes in Lieu of		223,301				333,301						
Motor Vehicle License Fees	351,011	333,595			351,011	333,595						
Other Taxes	98,216	78,184	78	72	98,294	78,256						
Grants and Contributions not Restricted	,	,			,,	,=-3						
to Specific Programs	8,434	4,583			8,434	4,583						
State Allocation of Motor												
Vehicle License Fees	1,234	1,100			1,234	1,100						
Other General Revenues	99,989	80,857	4,883	8,696	104,872	89,553						
Total Revenues	3,874,424	3,699,363	311,208	308,406	4,185,632	4,007,769						
EXPENSES												
General Government	186,340	203,394			186,340	203,394						
Public Protection	1,485,137	1,433,421			1,485,137	1,433,421						
Public Ways and Facilities	97,928	142,071			97,928	142,071						
Health and Sanitation	593,617	554,872			593,617	554,872						
Public Assistance	1,097,327	1,097,129			1,097,327	1,097,129						
Education	44,510	46,170			44,510	46,170						
Recreation and Cultural Services	112,749	115,136			112,749	115,136						
Interest on Long-Term Debt	17,544	20,112			17,544	20,112						
Airport			125,522	120,921	125,522	120,921						
Waste Management			105,149	96,301	105,149	96,301						
Compressed Natural Gas			367	283	367	283						
Total Expenses	3,635,152	3,612,305	231,038	217,505	3,866,190	3,829,810						
Excess before Transfers	239,272	87,058	80,170	90,901	319,442	177,959						
Transfers	25,922	21,518	(25,922)	(21,518)								
Change in Net Position	265,194	108,576	54,248	69,383	319,442	177,959						
Net Position - Beginning of the Year	989,997	881,421	1,195,712	1,126,329	2,185,709	2,007,750						
Net Position - End of the Year	\$ 1,255,191	\$ 989,997	\$ 1,249,960	\$ 1,195,712	\$ 2,505,151	\$ 2,185,709						

The County's net position increased by \$319,442 during the current fiscal year. Revenues for the year totaled \$4,185,632, an increase of \$177,863 from the prior year's total revenues. Expenses totaled \$3,866,190, an increase of \$36,380 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 2016-17, total revenues for governmental activities including transfers from the business-type activities were \$3,900,346 an increase of \$179,465 from the previous year. Expenses totaled \$3,635,152, an increase of \$22,847 from the prior year. During the current fiscal year, net position for governmental activities increased by \$265,194 from the prior fiscal year for an ending balance of \$1,255,191. Key elements of the increase are as follows:

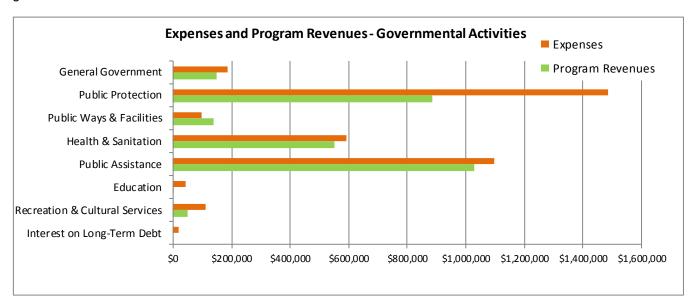
#### Revenues

- Charges for services increased by \$66,760, primarily from revenue received for Mental Health Services Act (MHSA) programs, law enforcement contracts, and increased South County Roadway Improvement Program (SCRIP) Fee Credits relinquished to the County for building permits.
- Operating grants and contributions increased by \$30,466, primarily due to increased allocations from the State for Mental Health Services.
- Other taxes increased by \$20,032, primarily due to transfer of excess Teeter Tax Loss Reserves to the Teeter Series A debt service fund, increased pass-through revenues from dissolved Redevelopment Agencies (RDA), and increased property taxes from real estate market transactions.
- Property taxes in lieu of VLF increased by \$17,416, primarily due to growth in secured property tax roll values.

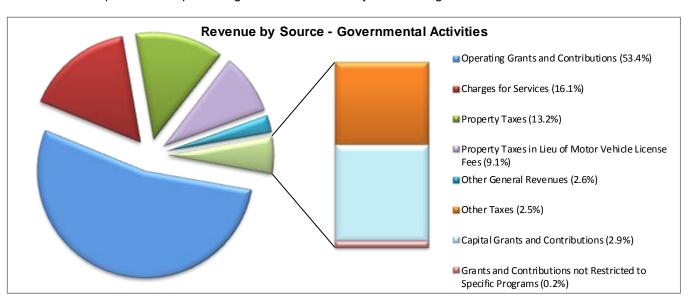
#### Expenses

- Expenses in public protection increased by \$51,716, due to increases in salaries and employee benefits (S&EB) primarily in the Sheriff-Coroner's Department and increases for professional services provided for various flood control projects such as dredging, levee repairs, facility inspections, vegetation removal, and a one-time settlement payment to a contractor for the Santa Ana River Interceptor Mainline (SARI Line) project.
- Expenses in public ways and facilities decreased by \$44,143, primarily for less SCRIP fee credits paid to the developer for the I-5/Ortega Highway Interchange project and La Pata Avenue Improvements and higher disposition of assets for the Road fund.
- Expenses in health and sanitation increased by \$38,745, primarily due to increases in S&EB and program expenses for MHSA, Correctional Medical Services, Medical Safety Net, and Children and Youth Services.
- Expenses in general government decreased by \$17,054, primarily due to a decrease in bankruptcy related
  payments from litigation reserves, lower cash disbursements of bankruptcy claims and fewer reimbursement
  payments made to Santa Margarita Water District for work on the CFD 2015-1 Village of Esencia construction
  project. Offsetting these decreases was an increase for the Civic Center Facilities Master Plan project.
- Expenses in interest on long-term debt decreased by \$2,568, primarily due to a lower interest expense on Capital Appreciation Bonds.
- Expenses in recreation and cultural services decreased by \$2,387, primarily due to higher capital asset dispositions. Offsetting this decrease was an increase for communications equipment, office equipment, S&EB for OC Parks, and major alterations and improvements primarily at Irvine Regional Park, Mile Square Regional Park, Yorba Regional Park, and Aliso Creek Trail.
- Expenses in education decreased by \$1,660, primarily due to less extra-help staff and pension expenses for OC Public Libraries and fewer purchases of library materials.

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

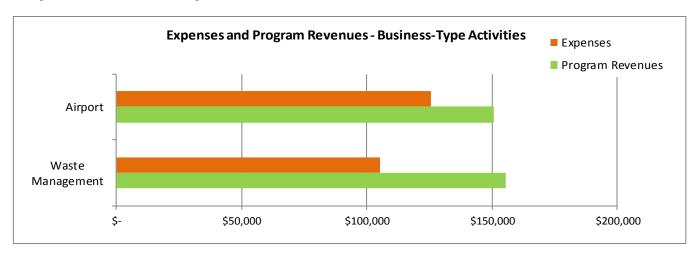


The chart below presents the percentage of total revenues by source for governmental activities:



## **Business-Type Activities**

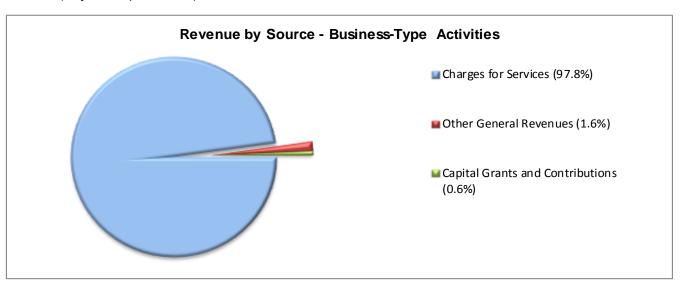
The County has three business-type activities: Airport, Waste Management, and CNG. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2016-17, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of \$54,248 in net position compared to the prior year's increase in net position of \$69,383. Revenues totaled \$311,208, an increase of \$2,802 from the previous fiscal year, primarily attributable to increases from Waste Management's importation revenue and a gain on Coyote Flare Station capital asset disposal. Offsetting this increase was a decrease in the Airport's capital grant contributions from the Transportation Security Authority (TSA) for the Terminal A & B Baggage Screening project and a decrease in Waste Management's interest revenue and available cash distributions from the County.

Expenses, including transfers to governmental activities, totaled \$256,960, representing an increase of \$17,937 from the previous year. This increase is primarily due to Waste Management's pollution remediation expenses, taxes and other fees, and contributions to other agencies, as well as increases for the Airport's professional and specialized services and other services and supplies (S&S). Other factors concerning the finances of the County's two major enterprise funds are discussed in the proprietary funds section of the "Financial Analysis of the County's Funds."

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



## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

#### **Governmental Funds**

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

At June 30, 2017, the County's governmental funds reported total fund balances of \$2,578,469, which is an increase of \$220,943 in comparison with prior year ending fund balances.

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

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

GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND
BALANCES
For the Years Ended June 30, 2017 and 2016

		Revenues	an	nd Other	Expenditure	es a	nd Other	Net Change in					
		Financing	g S	ources	Financi	ng	Uses	Fund Balances					
		<u>2017</u>		<u>2016</u>	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>		
General Fund	\$	3,167,897	\$	3,038,491	\$ 3,144,843	\$	2,975,161	\$	23,054	\$	63,330		
Flood Control District		151,353		128,929	144,469		116,206		6,884		12,723		
Other Public Protection		79,074		63,506	81,587		63,656		(2,513)		(150)		
Mental Health Services Act		153,076		116,978	138,075		115,244		15,001		1,734		
Other Governmental Funds		1,193,132		904,098	1,014,615		810,900		178,517		93,198		
Tota	1 \$	4,744,532	\$	4,252,002	\$ 4,523,589	\$	4,081,167	\$	220,943	\$	170,835		

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

#### General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2016-17, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balance of \$23,054 compared to last year's increase in fund balances of \$63,330. Revenues and other financing sources increased by \$129,406, and expenditures and other financing uses increased by \$169,682. The following is a brief summary of the primary factors that contributed to the increase in the net change in fund balance for the General Fund in FY 2016-17:

#### Revenues

Transfers to the General Fund increased by \$64,307, primarily for multi-year capital projects, such as the Year-Round Emergency Shelter and Multi Service Center, Civic Center Facilities Master Plan, and replacement of air handlers at the Health Care Agency's (HCA) Health Clinic. There was also an increase in Proposition 63 drawdowns from the MHSA, increases in transfers of excess Proposition 172 Public Safety Sales Tax for Sheriff-Coroner projects, and computer replacements, and increases for Social Services Agency (SSA) Wraparound program claims.

Charges for Services increased by \$56,474, primarily due to increases in revenue for the Proposition 63 MHSA program for Children & Youth and Outpatient Adult Mental Health Services. There was also an increase in law enforcement revenue from contract cities such as San Clemente, Mission Viejo, and Rancho Santa Margarita.

#### **Expenditures**

- Expenditures in public protection increased by \$77,610. Factors contributing to this increase were the ongoing
  operational cost increases in the Sheriff-Coroner's Department for S&EB, Workers' Compensation Insurance,
  Property & Liability Insurance, and S&S. There were also S&EB increases for the District Attorney (DA) due to
  additional positions added to support current increases in administrative and legal workload demands and
  further projected increases resulting from growing evidentiary and discovery requirements.
- Expenditures for health and sanitation increased by \$50,834, mainly in programs such as MHSA, Correctional Medical Services, and Medical Safety Net. There were also increases in S&EB for HCA due to additional positions added to support various health programs and outreach and engagement services.
- Expenditures for the general government increased by \$19,248, primarily due to the higher third of five payments per the Vehicle License Fee Adjustment Amount (VLFAA) settlement agreement and the Civic Center Facilities Master Plan project that began construction in FY 2016-17.

### Flood Control District

This group of funds is used to account for the planning, construction, and operation of flood control and water conservation works, such as dams, basins, and trunk channels, and for the retardation, conservation, and controlled discharge of storm waters. At the end of FY 2016-17, there was an increase in fund balance of \$6,884 compared to last year's increase of \$12,723. Revenues and other financing sources increased by \$22,424 mainly due to an increase in secured property tax collections and intergovernmental revenues related to Santa Ana River (SAR) Subvention claims. Offsetting these increases was a decrease in intergovernmental revenues from the Department of Water Resources and State Water Resources Control Board, higher unrealized investment loss, decrease in interest from investments, and a decrease in bankruptcy available cash distributions. Expenditures and other financing uses increased by \$28,263, primarily due to an increase in expenditures related to the Santa Ana River Dredging project, a settlement paid to contractor for the SARI Line project, and various maintenance improvement projects such as Peters Canyon Wash Sediment & Vegetation Removal, San Diego Creek Pilot Channel Emergency Interim Sand Management, and Santa Ana River Levee System Repair. Offsetting this increase was a decrease in loan repayments for the SARI Line project to OC Sanitation District (OCSD) and Santa Ana Watershed Project Authority (SAWPA).

#### Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2016-17, there was a decrease in fund balance of \$2,513 compared to last year's decrease in fund balance of \$150. Revenues and other financing sources increased by \$15,568, which was primarily attributable to an increase in intergovernmental revenue of \$8,800 from the U.S. Marshals Service Asset Forfeiture Division as part of the equitable sharing disbursement and transfers in of \$6,692 from the General Fund for the 800 MHz backbone costs and next generation radios. Expenditures and other financing uses increased by \$17,931, primarily due to the replacement of obsolete radio equipment for the 800 MHz Countywide Coordinated Communications System and higher expenditures for DA Consumer Protection. Offsetting these increases in expenditures were decreases in equipment costs for mobile digital video recorders and related equipment and also lower maintenance and building improvement costs.

## Mental Health Services Act (MHSA)

This fund accounts for purpose restricted MHSA revenues. At the end of FY 2016-17, fund balance increased by \$15,001 compared to last year's increase in fund balance of \$1,734. Revenues and other financing sources increased by a total, net amount of \$36,098, primarily due to higher allocation from the State. Expenditures increased by \$22,831, primarily due to an increase in transfers out to the General Fund for eligible reimbursement of MHSA related services.

#### Other Governmental Funds

Other governmental funds encompass nonmajor funds, which include special revenue funds, debt service funds, capital projects funds, and a permanent fund. At the end of FY 2016-17, fund balances increased by \$178,517 in comparison to prior year's increase in fund balances of \$93,198. Revenues and other financing sources increased by \$289,034 primarily due to loan proceeds from the California Municipal Finance Authority to construct part of the Civic Center Facilities Master Plan. Expenditures and other financing uses increased by \$203,715, primarily due to an increase in transfers out for projects such as the Civic Center Facilities Master Plan construction, Central Utilities Facility (CUF) Infrastructure Upgrade, OC Animal Care Center, and Year-Round Emergency Shelter and Multi Service Center, as well as an increase in debt service costs for lease revenue bonds. Offsetting these increases were decreases in debt service costs for the Teeter Plan Obligation Notes, Series B and a decrease in construction costs for the Cow Camp Road and La Pata Avenue Gap Closure projects. There were also decreases in public ways and facilities expenditures for lower SCRIP fee credits paid to developers and lower bankruptcy related expenditures.

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, 2017 and 2016				
		2017	2016	Increase/(Decrease) %
General Fund	\$	750,892	\$ 727,838	3 %
Flood Control District		438,552	431,668	2 %
Other Public Protection		143,297	145,810	(2)%
Mental Health Services Act		256,959	241,958	6 %
Other Governmental Funds		988,769	810,252	22 %
	Total \$	2,578,469	\$ 2,357,526	9 %

#### **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 funds financial statements.

#### **Comparative Analysis of Changes in Fund Net Position**

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

COMPARATIVE SCHEDULE OF R For the Years Ended June 30, 2017			S, COI	NTRIBUTIO	ONS,	TRANSFER	RS, AI	ND CHANG	ES II	N FUND NET	POS	SITION
<u></u>	R		Change in Fund Net Position									
		2017		2016		and Tra 2017		2016		2017		2016
Airport	\$	152,880	\$	155,495	\$	126,052	\$	121,023	\$	26,828	\$	34,472
Waste Management		158,045		152,630		131,430		117,667		26,615		34,963
Compressed Natural Gas		326		345		517		534		(191)		(189)
Total	\$	311,251	\$	308,470	\$	257,999	\$	239,224	\$	53,252	\$	69,246

#### Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2016-17, there was an increase of \$26,828 in fund net position compared to the prior year increase of \$34,472. Revenues, contributions, and transfers decreased by \$2,615, primarily due to a decrease in capital grant contributions from the TSA for Terminal A & B Baggage Screening project. Expenses increased by \$5,029, primarily due to increased professional and specialized services and other S&S for projects such as terminal improvements.

#### 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 2016-17, there was an increase of \$26,615 in fund net position compared to the prior year increase of \$34,963. Revenues, contributions, and transfers increased by \$5,415, primarily due to increased sanitation and landfill disposal tonnage and fees collected for waste, recycling and importation. Expenses and transfers increased by \$13,763, primarily due to increased pollution remediation expenses, taxes and other fees, and contributions to other agencies.

## Compressed Natural Gas (CNG)

This fund is used to account for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public. At the end of FY 2016-17, there was a decrease of \$191 in fund net position compared to the prior year decrease of \$189. Revenues decreased by \$19 due to a decrease in CNG fuel sales and CNG/Propane tax refunds and credits received. Expenses decreased by \$17 due to a decrease in transfers out to reimburse the OC Flood Control District fund for the annual payment for the construction of the compressed natural gas station and a decrease in merchant fees charged for credit card purchases made by CNG. This decrease was offset by an increase in maintenance and repairs and higher federal excise taxes paid.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

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

## Fines, Forfeitures, and Penalties

 An increase of \$26,000 for a one-time litigation settlement over a failed replacement to the County's automated Property Tax Management System.

#### Intergovernmental

- An increase of \$5,932 in the Social Services Agency (SSA) due to the anticipation of more State and Federal
  allocations for various programs, such as Medi-Cal, CalFresh, In-Home Supportive Services Non-Medical
  Out-of-Home Care, and Work Incentive Nutrition Supplement.
- An increase of \$2,024 in the Trial Courts due to the anticipation of more State allocations for the Community Service Provider and Orange County Victim Services Grant.
- An increase of \$1,503 mainly due to the Community Corrections Partnership approval for disposition of unspent State allocations to partially reimburse the General Fund for the prior years for which 2011 Public Safety Realignment (AB 109) funding was insufficient and partially for anticipated reimbursement to the Local Law Enforcement agencies in the current fiscal year.

#### Transfers In

- An increase of \$11,584 primarily due to the anticipation of higher importation revenue which will be transferred from Waste Management Bankruptcy Recovery Plan to the 2005 Lease Revenue Refunding Bonds fund.
- An increase of \$6,000 in SSA from the SSA Wraparound fund to ensure sufficient appropriations are available to pay for eligible expenditures (the "Wraparound" label refers to the fact that services are intended to wrap around the child in a way that supports the child in all aspects of the child's life).
- An increase of \$3,883 in the Miscellaneous fund for the transfer of residual balances as a result of the 1996 Recovery Certificates of Participation Series A fund closure.
- An increase of \$2,891 in HCA for operations to cover anticipated increased eligible program costs for the OC Tobacco Settlement and Bioterrorism Center for Disease.
- An increase of \$2,067 to the Sheriff-Coroner to cover unanticipated costs for salaries, IT projects and S&S.

## Final Revenue Budget vs. Actual Revenue Amounts

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

#### Transfers In

- A \$96,998 less than budgeted amount was primarily comprised of the following:
  - \$42,121 less revenue transferred to HCA due to lower claims in OC Tobacco Settlement Revenue and lower than expected drawdowns in the MHSA for reimbursements of eligible costs.
  - \$12,222 less revenue transferred to SSA due to less than anticipated Wraparound expenditures and less utility cost reimbursements for the Tustin Family Campus Program.
  - \$11,000 less revenue transferred from the Teeter Tax Loss Reserve fund as a result of redistributing the annual calculation of the excess Tax Loss Reserve requirement to the Teeter Debt Service fund.
  - \$7,185 less transfers of surplus from the Debt Service funds after principal, interest, and fund reserve requirements were met.
  - \$6,442 less revenue transferred to Sheriff-Coroner due to the deferral of the Automated Jail System and Field Based Reporting projects.
  - \$4,300 less revenue transferred to Property Tax System Centralized Operations and Maintenance Support due to delay in the Property Tax System re-platforming project to the next fiscal year.

## **Charges for Services**

- A \$27,166 less than budgeted amount was primarily comprised of the following:
  - \$8,821 less received in Sheriff-Coroner from law enforcement service contracts with the Harbor Patrol, the Airport security, Mission Viejo, San Clemente, Lake Forest and other contract cities. This was offset with \$1,935 higher than budgeted revenues received from a service agreement with U.S. Immigration and Customs Enforcement.
  - \$7,241 less received in reimbursements from various County departments for charges for services provided by OC Public Works.
  - \$4,704 less received in revenue for HCA primarily related to an anticipated transfer in for Public Health Services which will not be completed until FY 2017-18, offset by an increase of \$3,674 in Federal Medi-Cal revenue.
  - \$4,610 less received in revenue for OC Community Resources primarily as a result of less contracts and less corresponding reimbursement revenues received by Homeless Prevention for the Year-Round Shelter and the Community Investment Division.
  - \$3,137 less received primarily due to less revenue from Traffic School and Bail.

## Intergovernmental

- A \$22,521 less than budgeted amount was primarily comprised of the following:
  - \$40,707 less received in SSA primarily due to lower eligible expenditures for program claims as a result of higher than anticipated staffing vacancies, lower contract services expenditures, and delayed IT and facility projects.

- \$11,628 more received by the Sheriff-Coroner for AB 109 to recognize the full allocation of jail operation costs the County incurred.
- \$10,337 more received in HCA primarily related to the Federal Whole Person Care pilot program, State Realignment, and a one-time release of State mental health funds from a prior year liability account.

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

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

#### Miscellaneous

 An increase of \$27,729 primarily due to the anticipation of an increase in transfers out for the 800 MHz Countywide Coordinated Communications System, the Property Tax System re-platforming project, and the Teeter Series A Debt Service to properly align excess Tax Loss Reserves recorded at the end of FY 2016-17.

## Sheriff-Coroner

 An increase of \$19,814 primarily due to unanticipated higher costs associated with providing law enforcement services to cities, traffic safety, forensic science, and homeland security. Also higher appropriations for equipment purchases were expected for a patrol ready helicopter, transportation vehicles to carry out law enforcement activities, and transfers to construction and facility development for parking lot, quartermaster, and James A. Musick security fence projects.

#### Social Services Agency

• An increase of \$16,752 for the anticipated higher costs for Medi-Cal, CalWORKs, In-Home Supportive Services, and various other State programs to fund mandated support services, as well as added positions to support new federal overtime regulations per the provisions of the Fair Labor Standards Act.

#### 2005 Lease Revenue Refunding Bonds

An increase of \$11,719 to transfer the anticipated increase in trash importation revenues that will be used to
pay remaining bankruptcy related losses to County Administered Accounts in accordance with the Bankruptcy
Second Amended Modified Plan of Adjustment.

#### Capital Projects

 A net increase of \$5,752 primarily due to the anticipation of an increase in transfers out to the Countywide Capital Projects fund for the re-budget of multi-year projects and various other projects, such as parking facilities for enhanced safety and security services in the Civic Center area, Coroner Biological Evidence Freezer, and Theo Lacy Kitchen Floor project.

## Final Expenditure Budget vs. Actual Expenditure Amounts

In anticipation of the State's termination of the Coordinated Care Initiative (CCI) in FY 2017-18, which would result in an estimated \$38 million increase in County costs associated with the In-Home Supportive Services (IHSS) program, the County implemented a countywide hiring freeze and restricted discretionary expenditures in FY 2016-17. This measure has the impact of lowering actual S&EB within the General Fund. Other items provide a summary of the primary factors that caused significant variances.

#### Social Services Agency

 A \$64,942 lower than budgeted amount primarily due to 6.60% lower than budgeted caseloads for Foster Care Non-Federal Wraparound cases, savings in health insurance costs, and a hold on spending related to pending IHSS, as well as lower S&S costs due to less contracts, IT expenditures, and facility projects.

#### Health Care Agency

 A \$58,238 lower than budgeted amount primarily due to lower contract professional services expenditures in Behavioral Health Services, savings in contracted pharmaceutical expenditures related to the Affordable Care Act implementation, and decreased patient care costs in California Children's Services.

## **Sheriff-Coroner**

 A total of \$14,216 lower than budgeted amount was primarily the result of lower than expected utility costs and lower expenditures for equipment.

#### Capital Projects

 A total of \$11,355 lower than budgeted amount was primarily the result of lower expenditures for various structure and improvement projects, such as the replacement of deteriorated ductwork and variable-air-volume boxes throughout the Gates Building, replacement of chilled-water cooling coils located on the roof of the Gates Building, and the Year-Round Emergency Shelter and Multi Service Center.

#### Miscellaneous

 A total of \$10,493 lower than budgeted primarily due to annual leave payouts for small departments that were budgeted but not used, potential union negotiation impacts that were budgeted but not utilized, and contingency appropriations that were budgeted but not fully utilized in FY 2016-17.

### **OC Community Resources**

 A total of \$10,470 lower than budgeted amount primarily due to lower contract and administrative expenditures combined for programs with the Community Investment, Office on Aging, and Veterans Services programs, less operating costs spent for the Year-Round Emergency Shelter and Multi Service Center, Santa Ana Courtyard Transitional Homeless Center initiatives, and for training, meetings, and tuition reimbursement.

## **OC Public Works**

 A total of \$9,069 lower than budgeted amount primarily due to lower expenditures in areas such as janitorial services and supplies, maintenance and improvements, OCIT services support, and garage expenditures for parking.

#### Property Tax System and Centralized Operations & Maintenance Support

 A total of \$4,684 lower than budgeted amount due to the postponement of the Property Tax System replatforming project to the next fiscal year.

#### **District Attorney**

 A total of \$4,539 lower than budgeted amount was primarily the result of cost containment efforts by the department which reduced expenditures for S&S and IT equipment purchases.

#### **OC** Watersheds

• A total of \$4,269 lower than budgeted amount was primarily due to the result of a reduction in contract services for environmental monitoring and water quality compliance.

#### **Capital Assets**

At June 30, 2017, the County's capital assets for both the governmental and business-type activities amounted to \$3,831,379, net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, land improvements, equipment, software, infrastructure, intangible in progress, land use rights, and construction in progress. The total increase in the County's investment in capital assets for the current year was 5%.

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

CAPITAL ASSETS											
(Net of Depreciation)											
June 30, 2017 and 2016											
	Govern	ıme	ental		Business-Type						Increase
	Activ	Activities			Activities				То	(Decrease)	
	<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>		<u>2017</u>	<u>2016</u>	% Change
Land	\$ 839,273	\$	834,406	\$	37,842	\$	37,842	\$	877,115	\$ 872,248	1 %
Structures and											
Improvements	552,210		572,331		481,227		499,151		1,033,437	1,071,482	(4)%
Land Improvements	3,811		2,436						3,811	2,436	56 %
Equipment	139,846		109,997		25,589		23,898		165,435	133,895	24 %
Software	44,208		38,713		2,891		1,126		47,099	39,839	18 %
Infrastructure	1,165,681		1,121,121		246,003		244,289		1,411,684	1,365,410	3 %
Intangible in											
Progress	5,562		3,453		255		2,068		5,817	5,521	5 %
Land Use Rights	7,602		7,602						7,602	7,602	
Construction in											
Progress	175,447		118,864		103,932		40,555		279,379	159,419	75 %
Total	\$ 2,933,640	\$	2,808,923	\$	897,739	\$	848,929	\$	3,831,379	\$ 3,657,852	5 %

The following lists the significant capital asset expenditures in FY 2016-17:

# General Fund

- \$3,821 for the purchase of an office building for Probation
- \$3,026 for Sheriff-Coroner upgrade of video management system and services, purchase of portable devices, and integrated control systems for patrol vehicles
- \$1,635 for the purchase of an Airbus helicopter for Sheriff-Coroner
- \$1,376 for the construction costs associated with the Year-Round Emergency Shelter and Multi Service Center

#### Flood Control District

- \$5,152 for the Greenville-Banning Channel Improvements project
- \$4,676 for the Santa Ana Dredging project
- \$2,016 for the Edinger Storm Channel Improvements project
- \$1,568 for the purchase of vehicles such as trailers, ten wheel haul trucks, and street sweepers
- \$1,542 for the Glassell Yard Campus Stormwater Low Impact Development Retrofit project
- \$1,465 for the Fullerton Creek Channel Project

# Other Public Protection

- \$11,500 for the purchase of communications equipment
- \$9,729 for the replacement of obsolete radio equipment

# Other Governmental Funds

- \$36,304 for the CUF Infrastructure Upgrade project
- \$19,212 for the new OC Animal Care Center construction
- \$14,449 for the La Pata Avenue Gap Closure/Camino Del Rio Extension construction
- \$3,436 for the Dana Point Harbor Revitalization
- \$2,641 for the Riley Wilderness Park Wagon Wheel creek restoration
- \$3,693 for the James A. Musick Facility Jail Expansion project

# <u>Airport</u>

- \$51,630 for the Terminal Improvements project
- \$2,895 for the Common Use Passenger Processing System Upgrade project
- \$1,339 for the lighting systems upgrade project

# Waste Management

- \$11,736 for the Frank R. Bowerman Landfill Soil Buttress and Composite Liner Construction project
- \$11,308 for the Olinda Alpha Landfill Front Slope Improvement project
- \$4,009 for the purchase of heavy equipment at the north regional landfill
- \$2,106 for the purchase of heavy equipment at the central regional landfill

# Internal Service Funds

• \$12,270 for the purchase of vehicles for OC Fleet Services

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

# Commitments for Capital Expenditures

At the end of FY 2016-17, significant commitments for capital expenditures included the following:

- \$154,618 for the Civic Center Facilities Master Plan project
- \$42,128 for the Airport's Terminal Improvements project
- \$19,015 for the Frank R. Bowerman Landfill Soil Buttress and Liner Construction project
- \$17,391 for the Edinger Avenue Bridge Replacement Over Bolsa Chica Channel project
- \$13,159 for the Olinda Front Face Improvement project
- \$12,339 for the La Pata Avenue Gap Closure/Widening, Phase I & II project
- \$12,002 for the San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr project
- \$9,923 for the Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd project
- \$7,945 for the purchase of Law enforcement and other vehicles
- \$6,426 for the CUF Infrastructure Upgrade project
- \$5,925 for the Santa Ana River Interceptor Line Construction
- \$4,915 for the purchase of an Airbus helicopter
- \$3,483 for the Dana Point Harbor Revitalization project
- \$3,454 for the Airport's Paularino Gate Improvements project

Additional information on the County's commitments for capital expenditures can be found in Note 14, Construction and Other Significant Commitments.

# **Long-Term Debt**

At June 30, 2017, the County had total debt obligations outstanding of \$362,210 excluding long-term liabilities such as compensated employee absences payable, Civic Center Facilities Master Plan financing, and capital lease obligations payable. During the year, the County's outstanding debt obligations decreased by 21%, which is primarily attributable to the retirement of \$136,187 of bond obligations, offset by \$31,536 in additional Teeter Plan Notes and \$6,070 in additional interest accretion on capital appreciation bonds (CABs).

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 bonds, certificates of participation (COPs), notes, and other forms of debt not covered by the general obligation bonded debt limitation.

The following table summarizes the County's long-term debt obligations at June 30, 2017:

LONG-TERM DEBT OBLIGATIONS June 30, 2017 and 2016												
		Governmental				Business-Type						
		Activities				Activities				To	(Decrease)	
		<u>2017</u>		<u>2016</u>		<u>2017</u>		<u>2016</u>		<u>2017</u>	<u>2016</u>	% Change
Revenue Bonds	\$	74,300	\$	122,870	\$	189,539	\$	197,069	\$	263,839	\$ 319,939	(18)%
Certificates of Participation		811		1,262						811	1,262	(36)%
Pension Obligation Bonds		11,220		19,140						11,220	19,140	(41)%
Teeter Plan Notes		27,868		30,191						27,868	30,191	(8)%
Add: Premium/(Discount)												
on Bonds Payable		14,052		18,275		(2,221)	)	(1,942)	)	11,831	16,333	(28)%
Add: Interest Accretion												
on CABs		46,641		73,926						46,641	73,926	(37)%
Total	\$	174,892	\$	265,664	\$	187,318	\$	195,127	\$	362,210	\$ 460,791	(21)%

The following summarizes the County's long-term debt issuance during FY 2016-17:

<u>Teeter Plan Notes</u> On July 13, 2016, the County issued an additional \$31,536 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$61,727. 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 29, 2016 and June 27, 2017, the County used all of the accumulated base taxes to redeem \$24,364 and \$9,495, respectively, of the Teeter Plan Notes. As of June 30, 2017, the outstanding principal amount of the Teeter Plan Notes was \$27,868.

Additional information on the County's long-term debt activity can be found in Note 10, Long-Term Obligations, and Note 20, Subsequent Events.

# **Bond Ratings**

The County maintained its Issuer Credit Rating (ICR) of Aa1 from Moody's Investors Service (Moody's), AA+ from Standard & Poor's Global Ratings (S&P), and AA+ Issuer Default Rating (IDR) from Fitch Ratings. The IDR was previously referred to as an implied General Obligation (GO) Bond rating. The implied rating was not reported because the County does not have any general obligation bonds outstanding. In FY 2016-17, the following changes occurred in the County's underlying debt:

On October 4, 2016, Moody's upgraded the ratings on the County's 2005 Lease Revenue Bonds, 2016 Lease Revenue Bonds, 2012 Lease Revenue Bonds, and 1991 Parking COPs to Aa2 from Aa3.

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

	Standard & Poor's	Moody's	Fitch
2005 Lease Revenue Bonds	AA	Aa2	AA
2006 Lease Revenue Bonds	AA	Aa2	AA
2012 Lease Revenue Bonds	AA	Aa2	NR
2016 Lease Revenue Bonds	AA	NR	NR
1991 Parking COPs	NR	Aa2	NR
Teeter Plan Notes	NR	NR	NR
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

### In-Home Supportive Services (IHSS)

On June 28, 2017, the State budget was enacted and included State General Fund to mitigate increases to counties for the IHSS program associated with the end of the Coordinated Care Initiative. The increased cost may constrain the ability to fully fund current and future operations; however, actual impacts to programs and services is still being evaluated. The County's CEO is participating in a state-wide working group developing options for reform to enhance program sustainability and address long-term impacts to counties.

# Orange County Vehicle License Fees (VLF)

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

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

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

The Court's ruling resulted in the loss of the \$73,500 VLFAA revenue and a requirement for the County to repay \$150,000 to the State (\$147,000 retained in FYs 2011-12 and 2012-13, plus interest). On September 27, 2013, Assembly Bill (AB) 701 was signed by the Governor to resolve the dispute between the State and the County. AB 701 provides for an additional \$53,000 in annual VLFAA beginning in FY 2013-14, including growth, in lieu of the \$50,000 in property tax revenue previously provided by SB 8 X3, which was a flat amount with no growth. AB 701 provides stability for the County by securing the property tax revenues, including growth, and by allowing for repayment of the \$150,000 over five years. The \$150,000 due to the State was formally set aside in reserve in the FY 2013-14 First Quarter Budget Report. As of June 30, 2017, the remaining obligation to the State is \$105,000.

# **Long-Term Financial Planning**

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

The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (valuation value of plan assets divided by actuarial accrued liability) dropped from 82.76% in 2002 to 70.85% in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 then dropped to 62.52% in 2012. As of December 31, 2016, the funded ratio has increased to 73.06%. Despite the increase in funding ratio resulting from 2016 actual market returns greater than expected, the System's Unfunded Actuarial Accrued Liability (UAAL) has increased primarily due to the following factors: (1) higher than expected salary increases, (2) unfavorable investment returns (after smoothing), and (3) actual contributions less than expected, offset somewhat by (4) lower than expected cost of living adjustment (COLA) increases, and (5) additional UAAL payments made by certain employers.

County of Orange Comprehensive Annual Financial Report For the Year Ended June 30, 2017 (Dollar Amounts in Thousands)

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% effective July 2015. On October 16, 2017, the OCERS Board adopted a reduction in the assumed investment rate of return to 7.00% effective July 1, 2019. The assumed rate of return reduction had the impact of increasing contribution rates of members and plan sponsors.

# OCERS Actuarial Funding Policy (Amortization)

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

# **OCERS Actuarial Assumptions**

The 2014 through 2016 valuations were impacted by economic assumption changes, which flowed from the 2014 Triennial Study of Actuarial Assumptions. These changes, adopted by the OCERS Board on September 23, 2014, included a decrease in the inflation assumption from 3.25% to 3.00% per annum. As a result of the 2017 Triennial Study of Actuarial Assumptions, the OCERS Board, on October 16, 2017, adopted a further decrease in the inflation assumption to 2.75%, which will be effective with the 2017 valuation.

#### **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 92701 or you can access our website at <a href="https://www.ac.ocgov.com">www.ac.ocgov.com</a>.





		Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima		
<u>ASSETS</u>							
Cash and Cash Equivalents	\$ 2,367,012	\$ 615,734	\$ 2,982,746	\$ 47,449	\$ 527,773		
Restricted Cash and Cash Equivalents	355,760	156,941	512,701		300		
Investments	67,557	39,300	106,857		1,599,854		
Deposits In-Lieu of Cash	25	46,903	46,928				
Internal Balances	(9,295)	9,295					
Due from Component Unit	339		339				
Due from Primary Government				1			
Prepaid Costs	322,327	4,355	326,682	151	26,385		
Inventory of Materials and Supplies	1,910		1,910				
Receivables, Net of Allowances							
Accounts	8,566	17,937	26,503	2	522,793		
Taxes	27,458		27,458	2,425			
Interest/Dividends	5,688	1,665	7,353	42			
Deposits	4,821	100	4,921	5,231			
Advances	40		40	,			
Due from Other Governmental Agencies, Net	410,849	3,358	414,207	1,048			
Notes Receivable, Net	27,572		27,572				
Net Other Postemployment Benefits	44,838		44,838				
Capital Assets	,		,				
Not Depreciable/Amortizable	1,027,884	142,029	1,169,913		6,579		
Depreciable/Amortizable, Net	1,905,756	755,710	2,661,466		47,722		
Total Capital Assets	2,933,640	897,739	3,831,379		54,301		
Total Assets	6,569,107	1,793,327	8,362,434	56,349	2,731,406		
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding	1,516		1,516				
Deferred Outflows of Resources Related to Pension	821,293	17,251	838,544	567	11,577		
Total Deferred Outflows of Resources	822,809	17,251	840,060	567	11,577		

	Primary Government						Component Units			
	Governmental Activities		Business-Type Activities		Total		ernmental FCOC		roprietary CalOptima	
LIABILITIES										
Accounts Payable	\$ 117,575	\$	31,665	\$	149.240	\$	2,818	\$	9,824	
Salaries and Employee Benefits Payable	46,825	•	1,020	•	47,845	•	27	•	10,101	
Retainage Payable	5,720		1,102		6,822		1,261			
Interest Payable	3,269		4,910		8,179					
Deposits from Others	50,569		48,405		98,974					
Due to Primary Government							339			
Due to Component Unit	1				1					
Due to Other Governmental Agencies	31,536		3,597		35,133		3,818		198,205	
Unearned Revenue	65,906		4,120		70,026				102,298	
Short-Term Bonds Payable	375,540				375,540					
Long-Term Liabilities Due Within One Year										
SARI Line Loans	912				912					
Estimated Liability - Litigation and Claims	57,400				57,400					
Interest Accretion on Capital Appreciation Bonds Payable	14,176				14,176					
Insurance Claims Payable	54,026				54,026					
Medical Claims Payable									1,080,027	
Capitation and Withholds									580,840	
Compensated Employee Absences Payable	99,957		2,362		102,319		38			
Capital Lease Obligations Payable	12,697				12,697					
Bonds Payable	21,826		35,090		56,916					
Pollution Remediation Obligation			570		570					
Intangible Assets Obligations Payable	194		110		304					
Landfill Site Closure/Postclosure Liability			2,613		2,613					
Due in More than One Year										
SARI Line Loans	22,988				22,988					
Civic Center Facilities Master Plan Loan	175,340				175,340					
Estimated Liability - Litigation and Claims	55,000				55,000					
Interest Accretion on Capital Appreciation Bonds Payable	32,465				32,465					
Insurance Claims Payable	148,145				148,145					
Compensated Employee Absences Payable	86,649		2,299		88,948		9			
Arbitrage Rebate Payable	365				365					
Capital Lease Obligations Payable	43,134				43,134					
Notes Payable	27,868				27,868					
Bonds Payable	78,557		152,228		230,785					
Pollution Remediation Obligation			16,114		16,114					
Intangible Assets Obligations Payable	1,629		44		1,673					
Landfill Site Closure/Postclosure Liability			155,868		155,868					
Net Pension Liability									15,431	
Orange County Employees Retirement System	3,957,838		86,800		4,044,638		3,158			
Extra-Help Defined Benefit Plan	1,952		43		1,995				20 506	
Net Other Postemployment Benefit Obligation	E E00 0E0	-	548.960		6 120 010		11 160		28,586	
Total Liabilities	5,590,059	_	548,960	_	6,139,019		11,468	_	2,025,312	
DEFERRED INFLOWS OF RESOURCES										
	F40.000		44.050		550 004		4 440		4 240	
Deferred Inflows of Resources Related to Pension  Total Deferred Inflows of Resources	546,666 546,666	_	11,658 11,658		558,324 558,324		1,413 1,413		1,340 1,340	
Total Bolotted Illinois of Nessaures	0.10,000	_	11,000	_	000,021	-	1,410		1,010	
NET POSITION										
Net Investment in Capital Assets	2,813,296		708,286		3,521,582				54,104	
Restricted for:	,,				,-,-				- , -	
Expendable										
Pension Benefits	125,876				125,876					
Capital Projects	164,400				164,400					
Debt Service	33,409		36,181		69,590					
Legally Segregated for Grants and Other Purposes	1,192,827				1,192,827					
Regional Park Endowment	145				145					
CalOptima									98,445	
Passenger Facility Charges Approved Capital Projects			2,775		2,775					
Capital Projects - Replacements and Renewals			1,000		1,000					
Landfill Closure/Postclosure	<del></del>		28,962		28,962					
Landfill Corrective Action			8,278		8,278					
Wetland			879		879					
Prima Deshecha/La Pata Closure			104		104					
Nonexpendable			•							
Regional Park Endowment	196				196					
Unrestricted (Deficit)	(3,074,958)	_	463,495		(2,611,463)		44,035		563,782	
Total Net Position	\$ 1,255,191	\$	1,249,960	\$	2,505,151	\$	44,035	\$	716,331	
		_							•	

		Expe	enses		Program Revenues						
Functions/Programs		Direct Expenses		Indirect Expenses Allocation		Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions	
Primary Government											
Governmental Activities											
General Government	\$	239,113	\$	(52,773)	\$	41,988	\$	12,874	\$	95,199	
Public Protection		1,453,864		31,273		307,630		566,760		10,171	
Public Ways and Facilities		100,505		(2,577)		67,796		64,603		7,292	
Health and Sanitation		586,114		7,503		117,170		434,607			
Public Assistance		1,085,768		11,559		40,589		987,695		618	
Education		43,598		912		1,274		262			
Recreation and Cultural Services		110,552		2,197		47,763		976		201	
Interest on Long-Term Debt		17,544									
Total Governmental Activities	_	3,637,058		(1,906)		624,210		2,067,777		113,481	
Business-Type Activities											
Airport		124,610		912		150,260		51		270	
Waste Management		104,170		979		153,842		18		1,558	
Compressed Natural Gas		352		15		248					
Total Business-Type Activities		229,132		1,906		304,350		69		1,828	
Total Primary Government	\$	3,866,190	\$		\$	928,560	\$	2,067,846	\$	115,309	
Component Units											
Children and Families											
Commission of Orange County	\$	34,394	\$		\$		\$	26,233	\$		
CalOptima	•	3,513,349	*		•	3,551,420	*	15,766	•		
Total Component Units	\$	3,547,743	\$		\$	3,551,420	\$	41,999	\$		

# General Revenues

Taxes

Property Taxes, Levied for General Fund Property Taxes, Levied for Flood Control District

Property Taxes, Levied for OC Parks

Property Taxes, Levied for OC Public Libraries

Property Taxes in-Lieu of Motor Vehicle License Fees

Other Taxes

Grants and Contributions Not Restricted to Specific Programs

State Allocation of Motor Vehicle License Fees

**Unrestricted Investment Earnings** 

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position Net Position - Beginning of Year

Net Position - End of Year

# Net (Expense) Revenue and Change in Net Position

	ı	Primary Government		Compor	en	t Units				
G	Governmental Business-Type			Governmental		Proprietary				
	Activities	Activities	Total	CFCOC	_	CalOptima	Functions/Programs			
							Primary Government Governmental Activities			
\$	(36,279)	\$	\$ (36,279)	\$	\$		General Government			
*	(600,576)	<u></u>	(600,576)	·	•		Public Protection			
	41,763		41,763				Public Ways and Facilities			
	(41,840)		(41,840)				Health and Sanitation			
	(68,425)		(68,425)				Public Assistance			
	(42,974)		(42,974)				Education			
	(63,809)		(63,809)				Recreation and Cultural Services			
	(17,544)		(17,544)				Interest on Long-Term Debt			
	(829,684)		(829,684)		_		Total Governmental Activities			
							Business-Type Activities			
		25,059	25,059				Airport			
		50,269	50,269				Waste Management			
		(119)	(119)				Compressed Natural Gas			
		75,209	75,209				Total Business-Type Activities			
	(829,684)	75,209	(754,475)		_		Total Primary Government			
							Component Units			
							Children and Families			
				(8,161)			Commission or Orange County			
					_	53,837				
				(8,161)	_	53,837	Total Component Units			
							General Revenues Taxes			
	287,212		287,212				Property Taxes, Levied for General Fund			
	98,563		98,563				Property Taxes, Levied for Flood Control District			
	76,493		76,493				Property Taxes, Levied for OC Parks			
	47,804		47,804				Property Taxes, Levied for OC Public Libraries			
	351,011		351,011				Property Taxes in-Lieu of Motor Vehicle License Fees			
	98,216	78	98,294				Other Taxes			
	8,434		8,434				Grants and Contributions Not Restricted to Specific Programs			
	1,234		1,234				Clair / modalion of motor volucio zioonico i coc			
	19,760	3,497	23,257	343			Unrestricted Investment Earnings			
	80,229	1,386	81,615	231		27				
	25,922	(25,922)		. <del></del>	_		= ' '			
	1,094,878	(20,961)	1,073,917	574	_	27				
	265,194	54,248	319,442	(7,587)		53,864				
	989,997	1,195,712	2,185,709	51,622	_	662,467				
\$	1,255,191	\$ 1,249,960	\$ 2,505,151	\$ 44,035	\$	716,331	Net Position - End of Year			

	General Fund	Flood Control District	Other Public Protection		
<u>ASSETS</u>					
Pooled Cash/Investments	\$ 531,226	\$ 460,016	\$ 179,285		
Cash/Cash Equivalents			12,188		
Imprest Cash Funds	1,834	<del></del>			
Restricted Cash and Investments with Trustee	1	<del></del>			
Investments  Penseite In Lieu of Cook	67,557				
Deposits In-Lieu of Cash	<del></del>	<del></del>	<del></del>		
Receivables Accounts	9,590	635	176		
Taxes	5,701	1,460	170		
Interest/Dividends	1,794	1,022	436		
	1,794 524	·	430		
Deposits Advances	40	2,149			
Allowance for Uncollectible Receivables	(4,077)	(249)			
Due from Other Funds	104,918	2,802	3,608		
Due from Component Unit	339	2,002			
Due from Other Governmental Agencies, Net	330,367	30,137	2.338		
Inventory of Materials and Supplies	838	346	317		
Prepaid Costs	367,934	4,877	1,228		
Advances to Other Funds	3,800		1,220		
Notes Receivable, Net					
Total Assets	\$ 1,422,386	\$ 503,195	\$ 199,576		
<u>LIABILITIES</u>					
Accounts Payable	\$ 47,903	\$ 9,028	\$ 12,913		
Accounts Payable Retainage Payable	\$ 47,903 1,750	\$ 9,028 1,172	\$ 12,913 1		
Salaries and Employee Benefits Payable	43,688	603	149		
Interest Payable	2,376		149		
Deposits from Others	1,534	8,837	20,975		
Due to Other Funds	43,725	10,431	15,307		
Due to Component Unit					
Due to Other Governmental Agencies	14,634	1	5,404		
Estimated Litigation and Claims		7,400			
Unearned Revenue	38,668	786	675		
Bonds Payable	375,540				
Advances from Other Funds	784				
Total Liabilities	570,602	38,258	55,424		
DEFERRED INFLOWS OF RESOURCES	<del></del>		·		
	<b>=</b> 0.05:	<b>0=</b> 446	2==		
Unavailable Revenue - Intergovernmental Revenues	58,651	25,118	855		
Unavailable Revenue - Senate Bill 90 Mandated Claims, Net	24,637	4.007			
Unavailable Revenue - Property Taxes	8,364	1,267	<del></del>		
Unavailable Revenue - Long-Term Notes Receivables	0.040		<del></del>		
Unavailable Revenue - Other	9,240	00.005			
Total Deferred Inflows of Resources	100,892	26,385	855		
FUND BALANCES					
Nonspendable	372,572	5,223	1,545		
Restricted	39,581	433,329	140,238		
Assigned	265,293		1,514		
Unassigned	73,446				
Total Fund Balances	750,892	438,552	143,297		
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,422,386	\$ 503,195	\$ 199,576		

Mental Health rvices Act	Go	Other overnmental Funds	Go	Total overnmental Funds	ASSETS
					<u>ASSETS</u>
\$ 260,491   	\$	684,314   355,754 	\$	2,115,332 12,188 1,834 355,755 67,557	Pooled Cash/Investments Cash/Cash Equivalents Imprest Cash Funds Restricted Cash and Investments with Trustee Investments
		25		25	Deposits In-Lieu of Cash Receivables
		2,502 20,297		12,903 27,458	Accounts Taxes
613  		1,335 2,148 		5,200 4,821 40	Interest/Dividends Deposits Advances
		(96)		(4,422)	Allowance for Uncollectible Receivables
 		37,963		149,291 339	Due from Other Funds  Due from Component Unit
15,854 		31,101 		409,797 1,501	Due from Other Governmental Agencies, Net Inventory of Materials and Supplies
		14,733		388,772	Prepaid Costs
<del></del>		27,572		3,800 27,572	Advances to Other Funds Notes Receivable, Net
\$ 276,958	\$	1,177,648	\$	3,579,763	Total Assets
					<u>LIABILITIES</u>
\$ 	\$	26,475 2,785	\$	96,319 5,708	Accounts Payable Retainage Payable
		1,917		46,357	Salaries and Employee Benefits Payable
		34		2,410	Interest Payable
 15,288		19,223 60,321		50,569 145,072	Deposits from Others  Due to Other Funds
		1		1	Due to Component Unit
248		11,236		31,523	Due to Other Governmental Agencies
4,463		 21,314		7,400 65,906	Estimated Litigation and Claims Unearned Revenue
				375,540	Bonds Payable
 19,999	_	32,640 175,946	_	33,424 860,229	Advances from Other Funds  Total Liabilities
					DEFERRED INFLOWS OF RESOURCES
		11,015 		95,639 24,637	Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Senate Bill 90 Mandated Claims, Net
		1,390		11,021	Unavailable Revenue - Property Taxes
		255		255	Unavailable Revenue - Long-Term Notes Receivables
 <del></del>	_	273 12,933	_	9,513 141,065	Unavailable Revenue - Other Total Deferred Inflows of Resources
		,		,.	FUND BALANCES
<del></del>		14,929		394,269	Nonspendable
256,959		804,882		1,674,989	Restricted
  		168,958 		435,765 73,446	Assigned Unassigned
256,959		988,769	_	2,578,469	Total Fund Balances
\$ 276,958	\$	1,177,648	\$	3,579,763	Total Liabilities, Deferred Inflows of Resources and Fund Balances

The governmental funds Balance Sheet includes a reconciliation between fund balances – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. The difference in fund balances of (\$1,323,278) 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.

<i></i>		
Total Fund Balances - Governmental Funds	\$	2,578,469
Capital assets used in the operations of the County are not reported in the governmental funds financial statements:		
Land Structures and Improvements Equipment Software Infrastructure Land Use Rights Land Improvements Construction in Progress Intangible in Progress Accumulated Depreciation/Amortization	839,273 1,235,290 324,600 122,549 1,760,496 7,602 4,246 173,601 5,497 (1,598,108)	2,875,046
Other assets used in governmental activities do not consume current financial resources, and therefore, are not reported in the governmental funds:		
Prepaid Pension Investment with OCERS Prepaid Bond Insurance	125,876 71	125,947
The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.		47,444
Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2017. When all the recognition criteria are met, the deferred outflows of resources will become an expense. The counterpart to deferred outflows of resources are deferred inflows of resources, which are not technically liabilities at June 30, 2017. When all recognition criteria are met, the deferred inflows of resources will become revenue or an increase to net position. The County reports the different types of deferred outflows and inflows of resources in the Statement of Net Position as follows:		
Deferred Outflows of Resources:  Deferred Charge on Refunding  Employer retirement contribution subsequent to measurement date and deferred recognition of changes to the net pension liability		1,516 618,654
Reclassification of prepaid pension contribution from prepaid costs to deferred outflows of resources for the portion to be recognized in the next measurement period. Refer to Note 17, Retirement Plans for further information.		
Prepaid Pension Contribution Deferred Outflows of Resources		(194,218) 194,218

# Deferred Inflows of Resources:

Deferred Inflows of Resources that have been earned but not	
available to finance expenditures in the current period	141,065
Deferred Inflows of Resources Related to Pension	(541,059)

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

Bonds and COPs Payable, Net	(100,383)	
SARI Line Loans	(23,900)	
Civic Center Facilities Master Plan Loan	(175,340)	
Teeter Plan Notes Payable	(27,868)	
Compensated Employee Absences Payable	(184,344)	
Capital Lease Obligations Payable	(48,931)	
Intangible Assets Obligations Payable	(1,823)	
Arbitrage Rebate Payable	(365)	
Interest Payable on Bonds	(859)	
Interest Accretion on Capital Appreciation Bonds	(46,641)	
Estimated Liability - Litigation and Claims	(105,000)	
County's Net Pension Liability	(3,921,275)	(4,636,729)

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) asset for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan.

44,838

Net Position of Governmental Activities

\$ 1,255,191

Davis		General Fund		Flood Control District	Other Public Protection		
Revenues	Φ.	004 000	Φ.	400.050	Φ.		
Taxes	\$	681,836	\$	108,050	\$		
Licenses, Permits, and Franchises		25,362		579		424	
Fines, Forfeitures, and Penalties		67,648		13		4,010	
Use of Money and Property		6,733		3,298		3,836	
Intergovernmental		1,613,969		18,435		27,795	
Charges for Services		442,591		14,771		17,880	
Other		17,790		5,842		8,551	
Total Revenues		2,855,929		150,988		62,496	
Expenditures							
Current							
General Government		195,250					
Public Protection		1,260,068		111,708		29,078	
Public Ways and Facilities		30,633					
Health and Sanitation		577,050					
Public Assistance		891,309					
Education							
Recreation and Cultural Services							
Capital Outlay		23,532		24,643		22,683	
Debt Service							
Principal Retirement		5,129		4,177			
Interest		8,564		8			
Total Expenditures		2,991,535		140,536		51,761	
Excess (Deficit) of Revenues							
Over Expenditures		(135,606)		10,452		10,735	
Other Financing Sources (Uses)							
Transfers In		311,968		365		16,578	
Transfers Out		(153,308)		(3,933)		(29,826)	
Debt Issued		`		`'		'	
Loan Proceeds							
Total Other Financing Sources (Uses)		158,660		(3,568)		(13,248)	
Net Change in Fund Balances		23,054		6,884		(2,513)	
Fund Balances - Beginning of Year		727,838		431,668		145,810	
Fund Balances - End of Year	\$	750,892	\$	438,552	\$	143,297	

	Mental Health Services Act	Go	Other overnmental Funds	Go	Total overnmental Funds	Davianua
\$		\$	133,675	\$	923,561	Revenues Taxes
φ		φ	1,844	Ψ	28,209	Licenses, Permits, and Franchises
			25,279		96,950	Fines, Forfeitures, and Penalties
	1,247		53,384		68,498	Use of Money and Property
	151,829		359,985		2,172,013	Intergovernmental
	131,029		55,641		530,883	Charges for Services
			31,766		63,949	Other
	153,076		661,574		3,884,063	Total Revenues
	133,070		001,374		3,004,003	Total Nevenues
						Expenditures
						Current
			72,413		267,663	General Government
			840		1,401,694	Public Protection
			66,536		97,169	Public Ways and Facilities
	161		1,561		578,772	Health and Sanitation
			182,655		1,073,964	Public Assistance
			42,564		42,564	Education
			106,356		106,356	Recreation and Cultural Services
			105,450		176,308	Capital Outlay
						Debt Service
			90,813		100,119	Principal Retirement
			38,517		47,089	Interest
	161		707,705		3,891,698	Total Expenditures
			_			Excess (Deficit) of Revenues
	152,915		(46,131)		(7,635)	Over Expenditures
						Other Financing Sources (Uses)
			324,682		653,593	Transfers In
	(137,914)		(306,910)		(631,891)	Transfers Out
			31,536		31,536	Debt Issued
			175,340		175,340	Loan Proceeds
	(137,914)		224,648		228,578	Total Other Financing Sources (Uses)
	15,001		178,517		220,943	Net Change in Fund Balances
	241,958		810,252		2,357,526	Fund Balances - Beginning of Year
\$	256,959	\$	988,769	\$	2,578,469	Fund Balances - End of Year

The Net Change in Fund Balances for governmental funds of \$220,943 in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of \$265,194 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.

\$

220.943

16,688

# Net Change in Fund Balances - Total Governmental Funds

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

Expenditures	for	Capital	Outlay:

follows:

Land	2,599	
Construction in Progress	127,943	
Equipment	38,381	
Software	13,459	
Net of Gains/(Losses) on Capital Assets Dispositions	16,103	
Depreciation/Amortization Expense	(82,233)	
Capital Contributions	436	11

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	(31,536)	
Civic Center Facilities Master Plan Loan Proceeds	(175,340)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	56,941	
Teeter Plan Notes Payable	33,859	
SARI Line Loans Payable	4,122	
Capital Lease Obligations Payable	5,197	(106,757)

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:

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	(16,132) (3,058)	(19,190)
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 Amortization of Deferred Charges Change in Compensated Employee Absences Change in Arbitrage Rebate OCERS Investment Gain Estimated Litigation and Claims Expense Interest Accretion on Capital Appreciation Bonds	520 35,097 (1,510) (132) 14,236 25,000 (6,070)	67,141
Internal service funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, and telephone services to individual governmental funds. The operating income of internal service funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a breakeven basis. Also, general or non-program revenues and expenses of the internal service funds are recorded in governmental activities.		
Allocation of ISF's Operating Gain to Governmental Activities, net of Business-Type Activities Consolidation of Nonoperating Revenues, Expenses and Transfers to Governmental Activities	24,944 12,660	37,604
For FY 2016-17, the OPEB cost was \$46,122, and the County contributed \$47,853, which was deposited in the Retiree Medical Trust. The County contributed more than the required OPEB cost. Cumulatively, the County still has a net OPEB Asset.		1,731
GASB Statement No. 68 requires an employer to record pension expense and employer contribution that affects the County's proportionate share of the net pension liability.		(52,966)
Change in Net Position of Governmental Activities	<u>\$</u>	265,194

# BUDGETARY COMPARISON STATEMENT MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources	\$ 671.356	¢ 674.407	¢ 604.242	\$ 9.825
Taxes Licenses, Permits, and Franchises	\$ 671,356 25,952	\$ 671,487 26,192	\$ 681,312 25,276	\$ 9,825 (916)
Fines, Forfeitures, and Penalties	33,713	63,426	67,275	3,849
Use of Money and Property	6,837	6,837	9,929	3,092
Intergovernmental	1,639,779	1,650,850	1,628,329	(22,521)
Charges for Services	476,842	478,732	451,566	(27,166)
Other	21,131	19,823	21,782	1,959
Transfers In Bond Issuance Proceeds	373,468	404,277 100	307,279	(96,998) (100)
Total Revenues and Other Financing Sources	3,249,078	3,321,724	3,192,748	(128,976)
- "				
Expenditures and Other Financing Uses General Government:				
Assessor	40,006	40,074	37,122	2,952
Auditor-Controller	21,094	21,162	19,137	2,025
Board of Supervisors - 1st District	1,243	1,243	1,172	71
Board of Supervisors - 2nd District	1,309	1,309	973	336
Board of Supervisors - 3rd District	1,218	1,218	949	269
Board of Supervisors - 4th District	1,203	1,203	1,051	152
Board of Supervisors - 5th District	1,186	1,186	1,097	89
Capital Acquisition Financing	5,856	5,856	5,843	13
Capital Projects	57,726	63,478	52,123	11,355
CAPS Program	15,127	15,962	14,091	1,871
Clerk of the Board County Counsel	4,725 13,712	4,861 11,780	4,394 8,790	467 2,990
County Executive Office	22,208	23,779	21,374	2,405
Data Systems Development Project	9,391	10,658	8,207	2,451
Employee Benefits	1,657	2,157	1,391	766
Human Resources	6,886	6,950	5,177	1,773
IBM Mainframe	3,171	3,171	3,171	
IT Support Services	772	1,925	1,887	38
Miscellaneous	55,352	83,081	72,588	10,493
OC Campaign Finance and Ethics Commission	549	549	128	421
Prepaid Pension Obligation		100	1	99
Property Tax System Centralized O & M Support	7,762	7,762	3,078	4,684
Registrar of Voters The Office of the Performance Audit	15,755 807	16,223 606	15,672 73	551 533
Treasurer - Tax Collector	14,526	14,594	12,119	2,475
Utilities	14,886	15,580	13,297	2,283
2005 Lease Revenue Refunding Bonds	11,245	22,964	22,964	
Public Protection:				
Alternate Defense	7,190	7,140	5,166	1,974
Building & Safety	14,535	15,672	15,588	84
Child Support Services Clerk-Recorder	59,118	59,118	55,499	3,619
Detention Release	14,613 2,014	15,012 2,064	13,586 1,469	1,426 595
District Attorney	141,726	142,356	137,817	4,539
District Attorney - Public Administrator	3,216	3,216	2,604	612
Emergency Management Division	4,370	3,820	3,409	411
Grand Jury	584	985	914	71
HCA Public Guardian	5,616	5,817	4,932	885
Juvenile Justice Commission	178	178	134	44
Office of Independent Review	455	455	21	434
Probation	183,558	184,278	178,284	5,994
Public Defender	74,443	74,514	71,863	2,651
Sheriff - Coroner	652,049	671,863	657,647	14,216
Sheriff - Coroner Communications Sheriff Court Operations	12,963	13,141	10,248	2,893
Trial Courts	59,866 65,069	63,431 67,093	63,182 65,331	249 1,762
Public Ways and Facilities:	03,009	07,093	03,331	1,702
OC Public Works	51,622	53,809	44,740	9,069
Health and Sanitation:	01,022	00,000	,	0,000
Health Care Agency	631,240	634,131	575,893	58,238
OC Watersheds	16,510	16,510	12,241	4,269
Public Assistance:				
OC Community Resources	66,174	67,581	57,111	10,470
Social Services Agency	901,649	918,401	853,459	64,942
Total Expenditures and Other Financing Uses	3,298,130	3,400,016	3,159,007	241,009
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(49,052)	(78,292)	33,741	\$112,033
Fund Balances - Beginning of Year Fund Balances - End of Year	\$ 639,605	\$ 688,657 \$ 610,365	\$ 688,657 \$ 722,398	

# BUDGETARY COMPARISON STATEMENT MAJOR GOVERNMENTAL FUNDS - FLOOD CONTROL DISTRICT

	Original Budget		F	Final Budget		ctual on jetary Basis	Variance Positive Negative)
Revenues and Other Financing Sources							
Taxes	\$	95,371	\$	95,371	\$	107,845	\$ 12,474
Licenses, Permits, and Franchises		135		135		579	444
Fines, Forfeitures, and Penalties		12		12		13	1
Use of Money and Property		2,611		2,611		5,354	2,743
Intergovernmental		30,541		30,541		3,790	(26,751)
Charges for Services		13,570		14,559		15,211	652
Other		961		961		5,857	4,896
Transfers In		365		365		365	
Total Revenues and Other Financing Sources		143,566		144,555		139,014	(5,541)
Expenditures and Other Financing Uses							
Public Protection:							
OC Flood		195,019		198,707		122,450	76,257
OC Santa Ana River		80		80			80
OC Flood - Capital		65,998		65,998		14,857	51,141
Total Expenditures and Other Financing Uses		261,097		264,785		137,307	127,478
Excess (Deficit) of Revenues and Other Financing							
Sources Over Expenditures and Other Financing Uses		(117,531)		(120,230)		1,707	\$ 121,937
Fund Balances - Beginning of Year		445,843		445,843		445,843	
Fund Balances - End of Year	\$	328,312	\$	325,613	\$	447,550	

# BUDGETARY COMPARISON STATEMENT MAJOR GOVERNMENTAL FUNDS - OTHER PUBLIC PROTECTION

	Origir	nal Budget	Fina	l Budget		ctual on etary Basis	Р	ariance ositive egative)
Revenues and Other Financing Sources		<u>.</u>	,					
Licenses, Permits, and Franchises	\$	363	\$	363	\$	424	\$	61
Fines, Forfeitures, and Penalties		2,517		2,517		4,010		1,493
Use of Money and Property		826		838		4,464		3,626
Intergovernmental		15,727		20,723		27,795		7,072
Charges for Services		20,136		20,585		17,876		(2,709)
Other		11,191		10,469		8,542		(1,927)
Transfers In		5,308		21,881		20,541		(1,340)
Total Revenues and Other Financing Sources		56,068		77,376		83,652		6,276
Expenditures and Other Financing Uses								
Public Protection:								
Orange County Methamphetamine Lab Investigation Team		437		530		339		191
County Automated Fingerprint Identification		1,498		1,424		1,228		196
Building and Safety - Operating Reserve		1,556		4,856		1,975		2,881
Narcotic Forfeiture and Seizure		455		455		410		45
Sheriff-Regional Narcotics Suppression Program		6,205		9,667		5,407		4,260
Motor Vehicle Theft Task Force		3,245		3,491		3,330		161
Regional Narcotic Suppression Program-Dept of Treasury		459		463		248		215
Regional Narcotic Suppression Program-Other		2,851		2,387		1,126		1,261
Clerk Recorder Special Revenue		8,209		8,209		5,090		3,119
Clerk Recorder Operating Reserve		2,005		2,005		1		2,004
Real Estate Prosecution		1,653		1,679		1,678		2,004
Proposition 64 - Consumer Protection		3,654		3,654		2,882		772
Proposition 69 - DNA Identification		1,401		1,984		931		1,053
Traffic Violator		1,161		1,161		218		943
Sheriff Narcotics Program - Dept of Treasury		1,101		1,101		210		1
Sheriff Narcotics Program - Dept of Treasury  Sheriff Narcotics Program - Dept of Justice		3,976		3,906		2,628		1,278
· ·		520		802		2,020 49		753
Sheriff Narcotics Program - Other								
Orange County Jail		1,848		1,819		501		1,318
Sheriff Narcotics Program - CALMMET - Treasury		1,160		1,797		639		1,158
Sheriff's State Criminal Alien Assistance Program		1,765		1,765		1,418		347
California Automated Fingerprint Identification Operational Costs		1,246		1,213		1,014		199
California Automated Fingerprint Identification Systems Costs		28,622		28,622		624		27,998
Sheriff's Supplemental Law Enforcement Services		3,115		3,115		1,256		1,859
District Attorney's Supplemental Law Enforcement Services		1,027		1,034		1,034		
Excess Public Safety Sales Tax		6,259		6,259		6,056		203
Sheriff - Coroner Replacement and Maintenance		12,433		12,433		1,661		10,772
Ward Welfare		164		164		131		33
Sheriff's Substations Fee Program		3,343		3,343		44		3,299
Jail Commissary		11,063		11,092		8,451		2,641
Inmate Welfare		9,044		9,044		3,896		5,148
Child Support Program Development		3,524		3,524		1,028		2,496
800 MHz Countywide Coordinated Communications System		18,165		27,534		24,892		2,642
Delta Special Revenue		28		28		4		24
Total Expenditures and Other Financing Uses		142,091		159,460		80,189		79,271
Excess (Deficit) of Revenues and Other Financing								·
Sources Over Expenditures and Other Financing Uses		(86,023)		(82,084)		3,463	\$	85,547
Fund Balances - Beginning of Year		129,132		129,132		129,132		
Fund Balances - End of Year	\$	43,109	\$	47.048	\$	132,595		

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

						ctual on	Variance Positive
	Orig	inal Budget	Fir	nal Budget	Budgetary Basis		 (Negative)
Revenues and Other Financing Sources							
Use of Money and Property	\$	800	\$	800	\$	2,385	\$ 1,585
Intergovernmental		146,403		146,403		151,829	5,426
Total Revenues and Other Financing Sources		147,203		147,203		154,214	7,011
Expenditures and Other Financing Uses							
General Government:							
Mental Health Services Act		167,066		167,066		138,075	 28,991
Total Expenditures and Other Financing Uses		167,066		167,066		138,075	 28,991
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(19,863)		(19,863)		16,139	\$ 36,002
Fund Balances - Beginning of Year		241,257		241,257		241,257	
Fund Balances - End of Year	\$	221,394	\$	221,394	\$	257,396	

### Business-Type Activities -Enterprise Funds

		Enterprise Funds						
<u>ASSETS</u>	Airport	Waste Managem	N	Compressed Natural Gas (Nonmajor)	Total		A	vernmental ctivities - Internal vice Funds
Current Assets								
Pooled Cash/Investments	\$ 204.6	55 \$ 392.	373 \$	100	\$	597.128	\$	237,275
	. , .		3/3 Þ	100	Ф	,	Ф	231,215
Cash Equivalents/Specific Investments	11,1 7,3		-			11,195 7,362		375
Cash/Cash Equivalents	,					,		
Imprest Cash Funds		14	35			49		8
Restricted Cash and Investments with Trustee Restricted Pooled Cash/Investments	41,0		647			41,091		5 
Deposits In - Lieu of Cash	1,6 29,9		934			2,260 46,903		
Receivables	29,8	09 10,	934			46,903		
Accounts	4.1	70 10	737			14,907		137
	4, i 2,7		131			2,775		137
Passenger Facility Charges Interest/Dividends			089			1,665		488
	5	-	100			100		400
Deposits	,		100					
Pollution Remediation Obligation Recoveries Allowance for Uncollectible Receivables	4	56				256		
		52	(1)	5		(1)		(52)
Due from Other Funds			86			143		4,717
Due from Other Governmental Agencies	C	-	709			3,358		1,052
Inventory of Materials and Supplies	0.4					4.055		409
Prepaid Costs	2,1		206			4,355		1,826
Total Current Assets	306,5	26 426,	915	105		733,546		246,240
Noncurrent Assets								
Restricted Cash and Investments with Trustee	12,8	24				12,824		
Restricted Cash and investments with Hustee  Restricted Pooled Cash/Investments	12,0		482			9,482		
Restricted Pooled Cash/Investments - Closure		9,	402			9,402		
and Postclosure Care Costs		01	284			91,284		
Specific Investments	39,3		204			39,300		
Advances to Other Funds	39,3		624			29,624		
		29,	024			29,024		
Capital Assets: Land	15,6	70 22	164			37,842		
	76,2		685			103,932		1,846
Construction in Progress	10,2		255			,		1,046
Intangible Assets in Progress	764,8		255 409			255 789,263		11,788
Structures and Improvements								
Accumulated Depreciation	(295,6 12,8		364) 151		(	(308,036) 83,963		(6,412) 129,026
Equipment								
Accumulated Depreciation	(10,0	, , ,	371)			(58,374)		(77,719)
Infrastructure	229,3					621,168		
Accumulated Depreciation	(183,0				(	(375,165)		
Intangible Assets - Amortizable	3,0		626			3,641		
Accumulated Amortization			222)			(750)		
Total Capital Assets	612,7					897,739		58,594
Total Noncurrent Assets	664,8	69 415,	384		1,	,080,253		58,594
Total Assets	971,3	95 842,	299	105	1,	,813,799		304,834
DEFERRED OUTFLOWS OF RESOURCES								
Deferred Outflows of Resources Related to Pension	7,6	72 9.	579			17,251		8,421
Total Deferred Outflows of Resources	7,6		579			17,251	-	8,421

Business-Type Activities -	
Enternrise Funds	

				Lilleip	iise i ui	ius			_	
LIABILITIES		Airport		Waste nagement	N	Compressed Natural Gas (Nonmajor)		Total	Α	vernmental ctivities - Internal rvice Funds
Current Liabilities	•		•		•				•	
Accounts Payable	\$	21,242	\$	10,421	\$	2	\$	31,665	\$	21,256
Retainage Payable		52		1,050				1,102		12
Salaries and Employee Benefits Payable		433		587				1,020		468
Unearned Revenue		3,984		136				4,120		
Due to Other Funds		2,605		3,934		19		6,558		2,521
Due to Other Governmental Agencies		154		3,443				3,597		13
Insurance Claims Payable										54,026
Compensated Employee Absences Payable		1,057		1,305				2,362		1,068
Pollution Remediation Obligation				570				570		
Intangible Assets Obligations Payable		103		7				110		
Landfill Site Closure/Postclosure Liability				2,613				2,613		
Bonds Payable		35,090						35,090		
Capital Lease Obligations Payable										6,900
Interest Payable		4,910						4,910		
Deposits from Others		30,582		17,823				48,405		<del>-</del> _
Total Current Liabilities		100,212		41,889		21		142,122		86,264
Noncurrent Liabilities										
Insurance Claims Payable										148.145
Compensated Employee Absences Payable		951		1,348				2,299		1,194
Pollution Remediation Obligation		994		15.120				16.114		1,134
Intangible Assets Obligations Payable		37		7				10,114		
Landfill Site Closure/Postclosure Liability				155,868				155,868		
Bonds Payable		152,228		133,000				152,228		
Net Pension Liability		38,570		48,273				86,843		38,515
Total Noncurrent Liabilities		192,780	-	220,616			-	413,396		187,854
Total Liabilities		292,992		262,505		21		555,518		274,118
DEFERRED INFLOWS OF RESOURCES										
Deferred Inflows of Resources Related to Pension		5,157		6,501				11,658		5,607
Total Deferred Inflows of Resources		5,157		6,501				11,658		5,607
NET POSITION										
Net Investment in Capital Assets		423,306		284,980				708,286		51,694
Restricted for:		,		,,,,,,,						- 1, 1
Debt Service		36,181						36,181		
Passenger Facility Charges Approved Capital Projects		2,775						2,775		
Capital Projects - Replacements and Renewals		1,000						1,000		
Landfill Closure/Postclosure				28,962				28,962		
Landfill Corrective Action				8,278				8,278		
Wetland				879				879		
Prima Deshecha/La Pata Closure				104				104		
Unrestricted		217,656		259,669		84		477,409		(18,164)
Total Net Position	\$	680,918	\$	582,872	\$	84		1,263,874	\$	33,530
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds Cumulative Effect of Prior Years' Internal Service Funds Allocatio	n							996 (14,910)		
Net Position of Business-Type Activities							\$	1,249,960		

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

#### Business-Type Activities -Enterprise Funds

	Enterprise Funds									
	Airport		Ma	Waste nagement	Compressed Natural Gas (Nonmajor)		Total		A	vernmental ctivities - Internal vice Funds
Operating Revenues										
Use of Money and Property	\$	111,401	\$	4,443	\$		\$	115,844	\$	1,889
Licenses, Permits, and Franchises				56				56		
Charges for Services		18,760		149,302		248		168,310		94,841
Insurance Premiums										324,975
Total Operating Revenues		130,161		153,801		248		284,210		421,705
Operating Expenses										
Salaries and Employee Benefits		19,497		26,271				45,768		21,815
Services and Supplies		28,186		19,339		313		47,838		25,816
Professional Services		40,963		14,478		53		55,494		58,366
Operating Leases		293		702		1		996		1,630
Insurance Claims and Premiums										279,586
Pollution Remediation Expense				5,178				5,178		
Other Charges										455
Taxes and Other Fees		166		21,800				21,966		11
Landfill Site Closure/Postclosure Costs				418				418		
Depreciation/Amortization		29,820		17,439				47,259		8,086
Total Operating Expenses		118,925		105,625		367		224,917		395,765
Operating Income (Loss)		11,236		48,176		(119)		59,293		25,940
Nonoperating Revenues (Expenses)										
Fines, Forfeitures, and Penalties		198		41				239		
Intergovernmental Revenues		51		18				69		1,147
Interest and Investment Income		1,436		2,061				3,497		791
Interest Expense		(7,104)		2,00.				(7,104)		
Gain (Loss) on Disposition of Capital Assets		(23)		11				(12)		248
Passenger Facility Charges Revenue		19,901						19,901		
Other Taxes						78		78		11
Other Revenue, Net		863		522				1,385		5,789
Total Nonoperating Revenues		15,322		2,653		78	-	18,053		7,986
Income (Loss) Before Contributions and Transfers		26,558		50,829		(41)		77,346		33,926
Capital Grant Contributions		270						270		
Capital Contributions		270		1,558				1,558		454
Transfers In				33				33		8,321
Transfers Out				(25,805)		(150)		(25,955)		(4,101)
Change in Net Position		26,828		26,615		(191)		53,252		38,600
Not Desition Regioning of Veer		654.000		EEG 257		275				(F 070)
Net Position - Beginning of Year Net Position - End of Year	<u>¢</u>	654,090	•	556,257	•	275 84			<u>¢</u>	(5,070)
Net Position - End of Year	\$	680,918	\$	582,872	\$	84			\$	33,530
Adjustment to Reflect the Consolidation of Internal Se Funds' Activities Related to Enterprise Funds	rvice							996		
·							•			
Increase in Net Position of Business-Type Activities							\$	54,248		



# Business-Type Activities -Enterprise Funds

		Airport	Waste Compressed Natural Gas (Nonmajor)		Waste Natural Gas		Total	Governmental Activities - Internal Service Funds		
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from Customers	\$	131,375	\$	153,921	\$	248	\$	285,544	\$	28,870
Cash Received for Premiums within the County's Entity										324,975
Payments to Suppliers for Goods and Services		(67,613)		(31,893)		(367)		(99,873)		(381,042)
Payments to Employees for Services		(19,903)		(27,165)				(47,068)		(22,101)
Payments for Interfund Services		(95)				(254)		(349)		(3,242)
Receipts for Interfund Services Used				4,901				4,901		70,395
Landfill Site Closure/Postclosure Care Costs				(2,613)				(2,613)		
Payment for Taxes and Other Fees		(166)		(21,800)				(21,966)		(11)
Other Operating Receipts		967		5,504				6,471		5,789
Other Operating Payments				(5,880)				(5,880)		(2,404)
Net Cash Provided (Used) by Operating Activities		44,565		74,975		(373)		119,167		21,229
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Transfers In				33				33		8,321
Transfers Out				(25,805)		(150)		(25,955)		(4,101)
Intergovernmental Revenues		152		18		(100)		170		1,147
Other Taxes						78		78		11
Advances to Other Funds				(24,057)				(24,057)		
Net Cash Provided (Used) by Noncapital Financing				(24,001)				(24,007)		
Activities		152		(49,811)		(72)		(49,731)		5,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING										
ACTIVITIES										
Acquisition of Capital Assets		(46,159)		(31,917)				(78,076)		(13,658)
Principal Paid on Bonds		(7,530)						(7,530)		
Interest Paid on Long - Term Debt		(9,999)						(9,999)		
Capital Grant Contributions		1,915						1,915		
Passenger Facility Charges Received		19,267						19,267		
Principal Paid on Capital Lease Obligations										(6,900)
Proceeds from Sale of Capital Assets		9		11				20		
Net Cash Used by Capital and Related Financing										
Activities		(42,497)		(31,906)				(74,403)	_	(20,558)
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest on Investments		1,424		1,778		2		3,204		685
Purchase of Investments		(13,851)						(13,851)		
Net Cash Provided (Used) by Investing Activities		(12,427)		1,778		2		(10,647)	_	685
Net Increase (Decrease) in Cash and Cash Equivalents		(10,207)		(4,964)		(443)		(15,614)		6,734
Cash and Cash Equivalents - Beginning of Year		276,137		(4,904) 498,785		543		775,465		230,929
Cash and Cash Equivalents - Beginning of Year	\$	265,930	•	493,821	•	100	•	759,851	•	237,663
Cash and Cash Equivalents - End of Year	<b>\$</b>	∠05,930	Ф	493,821	\$	100	\$	739,831	\$	231,003

### Business-Type Activities -Enterprise Funds

	 Airport	Ma	Waste anagement	Na	mpressed tural Gas onmajor)	Total	A	vernmental ctivities - Internal vice Funds
Reconciliation of Operating Income (Loss) to Net Cash								
Provided (Used) by Operating Activities								
Operating Income (Loss)	\$ 11,236	\$	48,176	\$	(119)	\$ 59,293	\$	25,940
Adjustments to Reconcile Operating Income (Loss) to								
Net Cash Provided (Used) by Operating Activities:								
Depreciation/Amortization	29,820		17,439			47,259		8,086
Fines, Forfeitures and Penalties	198		41			239		
Other Revenue	863		522			1,385		5,789
(Increases) Decreases In:								
Deposits In-Lieu of Cash	1,460		(363)			1,097		
Accounts Receivable, Net of Allowances	801		(262)			539		(29)
Due from Other Funds	(52)		3,302		(3)	3,247		(2,134)
Due from Other Governmental Agencies	(81)		188			107		(397)
Inventory of Materials and Supplies								3
Prepaid Costs	(222)		(169)			(391)		(213)
Deferred Outflows of Resources Related to Pension	2,454		3,246			5,700		3,063
Increases (Decreases) In:								
Accounts Payable	1,882		1,549		2	3,433		245
Retainage Payable	3					3		10
Salaries and Employee Benefits Payable	(614)		(796)			(1,410)		(686)
Unearned Revenue	521		16			537		
Due to Other Funds	(43)		1,599		(253)	1,303		1,532
Due to Other Governmental Agencies	(24)		375			351		8
Insurance Claims Payable								(17,325)
Compensated Employee Absences Payable	(34)		(98)			(132)		148
Pollution Remediation Obligation			4,500			4,500		
Deposits from Others	(1,557)		557			(1,000)		
Net Pension Liability	(2,916)		(3,776)			(6,692)		(4,008)
Landfill Site Closure/ Postclosure Liability			(2,194)			(2,194)		
Deferred Inflows of Resources Related to Pension	 870		1,123			 1,993		1,197
Total Adjustments	 33,329		26,799		(254)	 59,874		(4,711)
Net Cash Provided (Used) by Operating Activities	\$ 44,565	\$	74,975	\$	(373)	\$ 119,167	\$	21,229
Reconciliation of Cash and Cash Equivalents to								
Statement of Net Position Accounts								
Pooled Cash/Investments	\$ 204,655	\$	392,373	\$	100	\$ 597,128	\$	237,275
Cash Equivalents/Specific Investments	11,195					11,195		
Cash/Cash Equivalents	7,362					7,362		375
Imprest Cash Funds	14		35			49		8
Restricted Cash and Investments with Trustee	41,091 (	1)				41,091		5
Restricted Pooled Cash/Investments	1,613		10,129			11,742		
Restricted Pooled Cash/Investments - Closure and								
Postclosure Care Costs	 		91,284			 91,284		
Total Cash and Cash Equivalents	\$ 265,930	\$	493,821	\$	100	\$ 759,851	\$	237,663

Schedule of Noncash Investing, Capital, and Financing Activities:

- The Internal Service Funds gained \$248 on disposition of capital assets.
- Airport had a \$23 loss on disposition of capital assets.
- Waste Management gained \$11 on disposition of capital assets.
- The Internal Service Funds' acquisition of capital assets with accounts payable is \$1,532.
- Airport's acquisition of capital assets with accounts payable is \$14,759.
- Airport's acquisition of capital assets with retainage payable is \$45.
- Waste Management's acquisition of capital assets with accounts payable is \$2,414.
- (1) Does not include \$12,824 from Airport's nonliquid Restricted Cash and Investments with Trustee.

# STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

ACCETC	Private- pose Trust Funds		Pension and Other Post- Investment Employment Benefit Trust Funds Trust Funds		<b>Employment Benefit</b>		Agency Funds
<u>ASSETS</u>							
Pooled Cash/Investments Cash/Cash Equivalents Restricted Cash and Investments Restricted Investments with Trustee	\$ 62,928 	\$	5,241,317 	\$	297 	\$	352,816 206
Money Market Mutual Funds  Mutual Bond Funds	4,653				109,503 6,377		38,313
Stable Value Fund Restricted Cash with OCERS					15,499 268,394		
Total Restricted Cash and Investments Investments	4,653 	_	 		399,773 	_	38,313 1,082
Deposits In-Lieu of Cash Receivables							54,565
Accounts Taxes	 		  45 700		 		475 302,964
Interest/Dividends Allowance for Uncollectible Receivables Due from Other Governmental Agencies	155  1		15,706  		14  1,477		12,145 (179,589) 3,181
Land and Improvements Held for Resale Notes Receivable	133		 		 		29,431
Total Assets	67,870		5,257,023		401,561	_	615,589
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding Total Deferred Outflows of Resources	 333 333	_			 	_	
LIABILITIES							
Bonds Payable Interest Payable	26,238 339		 		 		 9,907
Deposits from Others Monies Held for Others					 		18,457 203,981
Due to Other Governmental Agencies Unapportioned Taxes	 7 		115 		2		66,011 317,233
Total Liabilities	26,584		115		2		615,589
DEFERRED INFLOWS OF RESOURCES							
Deferred Charge on Refunding Total Deferred Inflows of Resources	 114 114	_	<u></u> 		<u></u>		
NET POSITION							
Restricted for Pension Benefits and Other Purposes	41,505		5,256,908		401,559		
Total Net Position	\$ 41,505	\$	5,256,908	\$	401,559	\$	

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2017

	Private- Purpose Trust Funds		Investmen Trust Fund		Pension and Other F Employment Bene Trust Funds		
Additions:							
Contributions to Pension and Other Postemployment							
Benefit Trust Funds:							
Employer	\$		\$		\$	64,006	
Employee						3,687	
Contributions to Pooled Investments			9,048,	,148			
Contributions to Private-Purpose Trust		72,203					
Intergovernmental Revenues		5,137					
Other Revenues		628					
Interest and Investment Income		609	23,	,135		40,148	
Less: Investment Expense		(5)	(2,	,814)		(603)	
Total Additions		78,572	9,068,	,469		107,238	
Deductions:							
Benefits Paid to Participants						37,722	
Distributions from Pooled Investments			8,384,	,013			
Distributions from Private-Purpose Trust		65,213					
Professional Services		112				47	
Tax Pass-Throughs		23					
Interest Expense		931					
Total Deductions		66,279	8,384,	,013		37,769	
Change in Net Position:							
Private-Purpose Trust		12,293					
External Investment Pool			684,	,456			
Employees' Pension and Other Post-							
Employment Benefits						69,469	
Net Position, Beginning of Year		29,212	4,572,	,452		332,090	
Net Position, End of Year	\$	41,505	\$ 5,256,	,908	\$	401,559	







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

## **Blended Component Units**

<u>Orange County Flood Control District</u> 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.

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

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

<u>South Orange County Public Financing Authority</u> 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.

<u>Capital Facilities Development Corporation</u> The Corporation has its own three member governing body appointed by the County's governing body. The purpose of the Corporation is to facilitate financings,

#### A. Reporting Entity (Continued)

#### Blended Component Units (Continued)

#### Capital Facilities Development Corporation (Continued)

acquisitions of property, and other financial and property related transactions, by or for the benefit of the County, including but not limited to purchasing property from or for the benefit of, borrowing or loaning money and selling or leasing property to, and otherwise participating in financial and leasing transactions with the County.

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

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

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

## **Fiduciary Component Unit**

County of Orange Redevelopment Successor Agency (Successor Agency) The Successor Agency was established when the Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABX1 26 and Health and Safety Code 34172. 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: <a href="https://www.ac.ocgov.com">www.ac.ocgov.com</a>.

#### Discretely Presented Component Units

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

#### 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) The Board established CalOptima in 1993. The governing board of CalOptima is comprised of nine voting members and includes two County Board members and one County Board member alternate; all other members are appointed by the Board. This is a County organized health system whose purpose is to administer health insurance programs for low-income families, children, seniors, and persons with disabilities throughout the County. These programs include Medi-Cal, OneCare (HMO SNP), OneCare Connect Cal MediConnect Plan, and Program of All-Inclusive Care for the Elderly (PACE). CalOptima is presented as a discretely presented component unit of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by CalOptima, the appointed CalOptima members serve at the will of the Board members who appoint them. CalOptima will continue until such time as the Board takes action to terminate CalOptima. A separate stand-alone annual financial report can be obtained by writing to CalOptima, 505 City Parkway West, Orange, CA 92868 or can be accessed via the website <a href="http://wpso.dmhc.ca.gov/fe/search/">http://wpso.dmhc.ca.gov/fe/search/</a>.

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

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

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

#### Government-Wide Financial Statements

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

- Statement of Net Position
- Statement of Activities

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

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

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

Government-Wide Financial Statements (Continued)

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

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

- <u>Net Investment in Capital Assets</u> This amount is derived by subtracting the outstanding debts incurred by the County, including debt-related deferred outflows and inflows of resources, to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- 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, 2017, the County's governmental activities reported restricted net position of \$1,516,853 and is restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, debt service, legally segregated funds restricted for grants and other purposes, and regional park endowment. Restricted Net Position for business-type activities amounted to \$78,179 and is restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), capital projects replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2017, the County reported \$2,775 of net position restricted by enabling legislation related to the Airport's PFC.
- <u>Unrestricted Net Position</u> These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

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

#### **Fund Financial Statements**

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following proprietary enterprise funds:

<u>Airport</u> 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.

<u>Waste Management</u> 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.

<u>Compressed Natural Gas (CNG)</u> 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.

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

#### Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

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

<u>Fiduciary Fund Types</u> The County has a total of 366 individual trust and agency funds for FY 2016-17. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust or Other Post-Employment Benefits (OPEB) trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants. Agency funds are used to account for assets that the County holds on behalf of others as their agent.

The County reports the following trust and agency funds:

<u>Private-Purpose Trust</u> These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment. Also included are the County accounts for the former redevelopment agency as a fiduciary component unit for the 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, and includes debt reserves for school and community college districts.

#### Orange County Educational Investment Pool

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

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

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

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

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus

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

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

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

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

#### Governmental Fund Financial Statements

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

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

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

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in-lieu of motor vehicle license fees, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectability is assured. Revenues that are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided that the revenues are also available. If intergovernmental revenues are expected to be received later than 60 days following the end of the fiscal year, then a receivable is recorded along with deferred inflows of resources. Once the grant reimbursement is received, revenue and cash are recorded, and the receivable and deferred inflows of resources are eliminated. Receipts that have not met all of the earning requirements are reported as unearned revenue received. As of June 30, 2017,

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

#### Governmental Fund Financial Statements (Continued)

the County reported \$141,065 of deferred inflows of resources and \$65,906 of unearned revenue received in the governmental funds' Balance Sheet.

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

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

## Proprietary Fund Financial Statements

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

There are two types of proprietary funds:

- Enterprise Funds
- Internal Service Funds

The County has three enterprise funds: Airport, 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.

#### D. Budget Adoption and Revision

No later than October 2nd of each year, after conducting public hearings concerning the recommended

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

budget, the Board adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Adopted Budget," which specifies all accounts established within each fund/department/budget control (a collection of account numbers necessary to fund a certain division or set of goal-related activities) and will not include the carried forward prior year encumbrances. However, the original and final budget amounts presented in the financial statements may differ due to the inclusion of the carried forward prior year encumbrances.

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

Annual budgets are adopted on a basis consistent with GAAP except for the general fund and major special revenue funds as detailed in the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis. Budgeted governmental funds consist of the general fund, major funds, and other nonmajor governmental funds. Budgetary comparison statements are prepared only for the general fund and major special revenue funds (listed below) for which the County legally adopts annual budgets, and are presented as part of the basic financial statements. The County did not legally adopt annual budgets for the OC Public Facilities Corporation Bonds, Master Lease Fund, the South OC Public Financing Authority Fund, Capital Facilities Development Corporation, 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:

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

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

- Under the budgetary basis, investment income is recognized on an amortized cost basis. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (GASB Statement No. 31), all investment income, including changes in fair value (gains/losses) of investments, are recognized as investment income.
- Under the budgetary basis, 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 normally recorded when earned. For GAAP basis, in accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" (GASB Statement No. 33), and GASB Statement No. 65, all nonexchange transactions,

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

such as government-mandated nonexchange transactions and voluntary nonexchange transactions, can be accrued only if they are measurable and "available." "Available" has been defined by GASB Statement No. 33 as "collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period." The County has established the availability period as 60 days after the end of the fiscal year. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 30 and records adjustments to deferred inflows of resources for transactions that are not collected.

- GASB Statement No. 34 states, "Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore, cannot be used to support the government's own programs." For the GAAP financial statements, an adjustment to record public-purpose trust monies as revenue in the benefitting funds is recorded for funds which continue to be accounted for as fiduciary funds on a budgetary basis but do not meet the definition of a fiduciary fund.
- Under the budgetary basis, intrafund transfers are recognized as other financing sources (uses). For the GAAP financial statements, intrafund transfers are eliminated to minimize the "grossing-up" of intrafund transfers.
- 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. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs an analysis to identify expenditure accruals for the GAAP financial statements.
- The General Fund revenue adjustment was recorded due to the overbilling to Waste Management for the Republic Services and LA Sanitation District importation proceeds.
- The OC Animal Care Center uses cash basis to record money it receives from invoicing due to the low collection rate. Per GAAP, the receivables and the amount of the allowance for the doubtful accounts should be recorded.

## D. <u>Budget Adoption and Revision (Continued)</u>

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

		General Fund	Flood Control District	Other Public Protection	<u>1</u>	Mental Health Services Act
Actual Revenues and Other Financing Sources from the Budgetary	•	0.400.740	100.044			454.044
Comparison Statements	\$	3,192,748 \$	139,014	\$ 83,652	2 \$	154,214
Differences-budget to GAAP:		(O.FEQ)	(2.057)	(75)	2)	(4.420)
Change in unrealized loss on investment		(2,558)	(2,057)	(75) 1;	,	(1,138)
Adjustment to report redirected investment income as transfers  Adjustment of revenue accruals for 60 day recognition period		(3,122)	 14,752		o 3	
Adjustment to record Public-Purpose Trust Fund monies		(3,122)	14,752	•	)	
as revenue in benefitting fund		(4,433)	84	_	_	
Adjustment to eliminate intrafund transfers		(3,877)		(3,964	1)	
Reclassification of direct billing reimbursements paid by fund for the		(-,- ,		(-,	,	
benefit of other funds		(13,937)	(440)	_	_	
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		16		-	-	
Revenues and Other Financing sources for non-budgeted funds are						
excluded in the Budgetary Comparison Statements				120	)	
Recognition of outstanding invoices for OC Animal Care Center		84		-	-	
Adjustment of imported waste revenues overpaid to the General Fund		2,976				
Total Revenues and Other Financing Sources as reported on the Statement						
of Revenues, Expenditures, and Changes in Fund Balances	\$	3,167,897 \$	151,353	\$ 79,074	1 \$	153,076
Actual Expenditures and Other Financing Uses from the Budgetary						
Comparison Statements	\$	3,159,007 \$	137,307	\$ 80,189	9 \$	138,075
Differences-budget to GAAP:						
Adjustment to report redirected investment				1;	3	
Adjustment of expenditure accruals for timing differences		555	7,602	(17:	,	
Adjustment to eliminate intrafund transfers		(3,877)		(3,964	1)	
Reclassification of direct billing reimbursements paid by fund for the						
benefit of other funds		(13,937)	(440)	-	-	
Expenditures and Other Financing Uses for non-budgeted				= =0	_	
funds are excluded in the Budgetary Comparison Statements				5,522	2	
Certain budgeted special revenue funds do not meet the criteria for						
separate reporting and are reported within the General Fund in the		2 970				
GAAP financial statements		3,879		-	-	
Reclassification of loan repayment from General Fund to Waste Management		(784)				
Total Expenditures and Other Financing Uses as reported on the Statement	_	(704)			-	
of Revenues, Expenditures and Changes in Fund Balances	\$	3,144,843 \$	144,469	\$ 81,587	<u> </u>	138,075

#### E. Fund Balance

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

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

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

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

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

Assigned Fund Balance Amounts a government intends to use for a specific purpose that are neither restricted nor committed; intent can be expressed by the governing body (Board) or by an official or body to which the governing body delegates authority (County Executive Officer (CEO), County Department Heads, and County Purchasing Agent). The County's budget development guidelines provide the policy that is used by all County departments to determine the designation of assigned fund balance. Assigned fund balance includes the aggregation of resources for capital projects, which are expected to develop in future periods and fund balance reserved for outstanding contractual obligations for which goods and services have not yet been received or approved by the Board for appropriation in FY 2016-17, through the County's budget process.

<u>Unassigned Fund Balance</u> 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:

# E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Nonspendable:			-			
•	\$ 838	•	\$ 317	\$	\$	\$ 1,501
Prepaid costs	367,934	4,877	1,228		14,733	388,772
Endow ment					196	196
Long-Term Advances to Other Funds	3,800					3,800
Total Nonspendable Fund Balance	372,572	5,223	1,545		14,929	394,269
Restricted for:						
Court Operations	5,874					5,874
Tobacco and CHIP Programs	152					152
Public Safety Realignment	32,367					32,367
Registrar of Voters	1,188					1,188
Flood Control District		209,629				209,629
Flood Control District - Construction & Maintenance		22,651				22,651
Flood Control District - Project Management		26,182				26,182
Flood Control District Capital Projects		141,638				141,638
Flood Control District Capital Projects Management		33,145				33,145
Santa Ana River Projects		84	14.645			84
Building & Safety Operating Reserve			14,645			14,645
Child Support Program Development			13,407			13,407
Clerk Recorder Special Revenue Sheriff-Coroner Replacement & Maintenance			16,559 12,523			16,559 12,523
CAL-ID System Costs			29,131			29,131
Jail Commissary			4,663			4,663
Inmate Welfare			8,421			8,421
Prop 64 - Consumer Protection			6,662			6,662
Regional Narcotics Suppression Program			10,198			10,198
Other Public Safety Programs			24,029			24,029
Mental Health Services Adults/Children				19,863		19,863
Mental Health Services General				237,096		237,096
OC Dana Point Harbor Projects					67,355	67,355
Community and Welfare Services					56,318	56,318
Low and Moderate Income Housing Program					31,541	31,541
Health Care Programs					21,867	21,867
Civic Center Parking/Maintenance					4,545	4,545
Roads					70,759	70,759
Public Libraries					38,480	38,480
Bankruptcy Recovery					17,130	17,130
OC Parks					49,012	49,012
OC Parks - Capital Projects					32,388	32,388
County Tidelands - New port Bay					5,715	5,715
Service Areas, Lighting, Maintenance						
and Assessment Districts					78,087	78,087
Other Environmental Management					2,732	2,732
Tobacco Settlement Programs					11,437	11,437
Housing Programs					16,805	16,805
Technological and Capital						
Acquisitions/Improvements					1,368	1,368
Endow ment					145	145
OC Public Facilities Corporation Bonds,						
Master Lease					2,943	2,943
Pension Obligation Bonds					61,460	61,460
South OC Public Financing Authority					23,287	23,287
Orange County Public Financing Authority					7,465	7,465
Teeter Note					18,471	18,471
Capital Projects:					40.500	40.500
Criminal Justice Facilities Improvement					12,563	12,563
Capital Facilities Development Corporation Construction Capital Facilities Development Corporation					151,471	151,471
· · · · · · · · · · ·	\$ 39,581	\$ 433,329	\$ 140,238	\$ 256,959	21,538 \$ 804,882	\$ 1,674,989
Total Nestricted Fully DaidNet	ψ J9,301	ψ 400,029	φ 140,238	ψ 200,909	ψ 004,082	ψ 1,074,909

## E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public otection	Mental Service		Other Governmental Funds	G	Total Sovernmental Funds
Assigned to:								
General Services:								
General Services - Operations	\$ 127,959	\$ 	\$ 	\$		\$	\$	127,959
Maintenance and Construction	11,600							11,600
Imprest Cash	1,834							1,834
Public Safety	18,804							18,804
Public Works	2,266							2,266
Watershed Programs	1,243							1,243
Social Services Programs	5,660							5,660
Tax Loss Reserve	46,653							46,653
Health Care Programs	1,314					12,083		13,397
Teeter Note						53,316		53,316
Capital Projects:								
Property Tax Software Development	5,076							5,076
Criminal Justice Facilities	6,645							6,645
Central Utilities Facility Replacement	1,239							1,239
Election System Upgrade	20,000							20,000
Sheriff Closed Circuit TV	2,000							2,000
Miscellaneous Capital Projects	13,000							13,000
800MHz County-Wide Coordinated								
Communications System			1,514					1,514
Countywide Projects						46,566		46,566
Parking Facilities						746		746
OC Parks						12,083		12,083
Air Quality Improvement						3,827		3,827
Community and Welfare Services						26,015		26,015
Orange County Public Financing Authority						14,322		14,322
Total Assigned Fund Balance	 265,293	 	 1,514			168,958		435,765
Unassigned	 73,446			-				73,446
Total Unassigned Fund Balance	73,446	 	 				-	73,446
Total Fund Balances	\$ 750,892	\$ 438,552	\$ 143,297	\$ 25	6,959	\$ 988,769	\$	2,578,469

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2017 SFP includes a policy for Fund Balance Unassigned (FBU) that eliminates FBU as a funding source for the next year's budget as a significant step toward reducing structural reliance on one-time funds. Positive variances in estimated FBU are to be added to Strategic Reserves, consistent with the Board policy.

The County prepays its pension contribution and reports the prepaid amount as Nonspendable Fund Balance rather than Unassigned Fund Balance as required by GASB Statement No. 54. For FY 2016-17, the proceeds of \$375,540 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2017-18 pension contribution at a discount. Of this amount \$367,590 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 9, Short-Term Obligations, and Note 17, Retirement Plans for additional information.

# F. <u>Deposits and Investments</u>

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 benefitting from economies of scale through pooled investment activities. In addition, the County maintains the Airport Investment Fund and other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements, using the fair value measurement within the fair value hierarchy established by GAAP.

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

Other than proceeds held by the County in the OCIP, proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements including money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term 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.

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

The investments in the Retiree Medical Defined Benefit Trust are managed by OCERS and are reported at fair value. Refer to Note 17, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

## G. Inventory of Materials and Supplies

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

#### H. Prepaid Costs

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these costs in the period during which services are provided. Prepaid costs in the governmental funds Balance Sheet include \$388,772, which primarily consist of \$388,427 for the County's FY 2017-18 pension contribution at a discount.

Prepaid costs in the government-wide financial statements include the prepaid costs reported in the fund financial statements, reduced for 50% of the prepaid asset related to the pension contribution after the measurement date in accordance with GASB Statement No. 68 and GASB Statement No. 71. Refer to Note 17, Retirement Plans for additional information.

#### I. Land and Improvements Held for Resale

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

#### J. Capital Assets

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

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the donation. Capital assets with an

#### J. Capital Assets (Continued)

original unit cost equal to or greater than the County's capitalization threshold shown in the table below are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

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

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 and amortization of premium or discount. 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 government-wide Statement of Net Position reports a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period(s) and

#### K. Deferred Outflows/Inflows of Resources (Continued)

so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflows of resources related to pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferral of resources related to pension results from the net difference between projected and actual investment earnings on pension plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by actuarial study. The deferred outflows of resources related to pension also include employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, which 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 two items that qualify for reporting in this category. They are the deferred inflows of resources related to unavailable revenues and deferred inflows of resources related to pension. 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 \$24,637 is net of an allowance for the estimated uncollectible of \$10,236.

The table below details out all deferred outflows/inflows of resources related to pension. Please refer to Note 17, Retirement Plans, for further information.

	Governmental			Waste			
		Activities	Airport	Ma	nagement		Total
Deferred Outflows of Resources Related to Pension per Actuarial Studies		_					_
Net Difference Between Projected and Actual Investment Earnings							
on Pension Plan Investments	\$	324,534	\$ 3,278	\$	4,079	\$	331,891
Changes of Assumptions		69,889	712		881		71,482
Changes in Proportion and Differences Between Employer							
Contributions and Proportionate Share of Contributions		16,265	144		183		16,592
Deferred Outflows of Resources Related to Pension - Employer							
Contributions after Measurement Date		214,565	1,784		2,328		218,677
Deferred Outflows of Resources Related to Prepaid Contribution		196,040	1,754		2,108		199,902
Total Deferred Outflows of Resources Related to Pension	\$	821,293	\$ 7,672	\$	9,579	\$	838,544
Deferred Inflows of Resources Related to Pension per Actuarial Studies							
Net Difference Between Projected and Actual Investment Earnings							
on Pension Plan Investments	\$	17	\$ 	\$		\$	17
Difference Between Expected and Actual Experience		432,439	3,993		5,062		441,494
Changes of Assumptions		114,088	1,163		1,438		116,689
Changes in Proportion and Differences Between Employer							
Contributions and Proportionate Share of Contributions		122	1		1		124
Total Deferred Inflows of Resources Related to Pension	\$	546,666	\$ 5,157	\$	6,501	\$	558,324

#### L. Self-Insurance

The County is self-insured for general and automobile liability claims, workers' compensation claims, and for claims arising under the County self-insured PPO Health Plans, short-term disability plans, dental plan, Reserve Deputy Sheriff accidental death and dismemberment plan, and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known claims, incurred but not reported claims and allocated and unallocated loss adjustment expenses. For additional information, refer to Note 15, Self-Insurance.

#### M. Property Taxes

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

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

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

Property tax collections are apportioned (disbursed) to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements, materiality of collections received, tax delinquency dates, the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or state-assessed properties), and cash flow needs of the tax-receiving agencies.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due within the fiscal year and collected within 60 days after the fiscal year-end. Property tax revenues are also recognized 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, 2017 is allocated to and recorded in the corresponding funds for reporting purposes.

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

The County maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the tax bills are corrected. As of June 30, 2017, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.87% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	California Revenue & Taxation Code Section
Supplemental assessments are effective on the 1st day of the month following the new construction or ownership change.	75.41
Property tax lien date is January 1.	2192
Unsecured taxes on the roll as of July 31 are delinquent August 31.	2922

#### M. Property Taxes (Continued)

	California Revenue
	& Taxation Code Section
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 2nd Installment - February 1.	2605 2606
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. Pensions

The County recognizes a net pension liability to reflect the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the County's retirement plans. The actuarial valuation for the retirement plans through OCERS is based on the December 31, 2016 measurement date for the County reporting as of June 30, 2017. The actuarial valuation for the Extra-Help Defined Benefit Plan is based on the June 30, 2017 measurement date for the County reporting as of June 30, 2017.

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

At June 30, 2017, the County's net pension liability from OCERS was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2015 valuation to December 31, 2016. The County's net pension liability from Extra-Help Defined Benefit Plan was measured as of June 30, 2017; the plan's TPL was calculated using the data and assets as of July 1, 2015, rolled forward to June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17.

#### P. Statement of Cash Flows

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

#### Q. Indirect Costs

County indirect costs are allocated to benefitting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2016-17 County-

#### Q. Indirect Costs (Continued)

Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. For Financial Statement purposes, the County has elected to allocate indirect costs to budget controls within the General Fund in order to match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded.

## R. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2016-17:

In August 2015, GASB issued Statement No. 77, "Tax Abatement Disclosures." This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17. The statement was implemented. The effect was immaterial to the County's financial statements. Therefore, no note disclosures are presented as a result of this GASB statement.

In December 2015, GASB issued Statement No. 78, "Pensions Provided through Certain Multiple- Employer Defined Benefit Pension Plans." This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement are effective for reporting periods beginning after December 15, 2015, which requires the County to implement this statement in FY 2016-17. The statement was implemented without an impact to the County.

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14." This statement amends the blending requirements established in paragraph 53 of Statement No. 14, "The Financial Reporting Entity," as amended. This statement amends the blending requirements for the financial statement presentation of component units of all state and local government. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The statement was implemented without an impact to the County.

In March 2016, GASB issued Statement No. 82, "Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73." This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, which requires the County to implement this statement in FY 2016-17. The statement was implemented with an impact to the County. Refer to the Required Supplementary Information for additional information.

The following summarizes recent GASB Pronouncements and their future effective dates. The County is in the process of evaluating the impact of these statements on its financial statements:

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

In June 2015, GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement replaces Statements No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," as amended, Statement No. 43, and Statement No. 50, "Pension Disclosures." The provisions of this statement are effective for reporting periods beginning after June 15, 2016. The County's OPEB plans are calendar year based; therefore, it requires the County to implement this statement in FY 2017-18. The requirements of this statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria.

In June 2015, GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB." Statement No. 74 establishes new accounting and financial reporting requirements for OPEB plans. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In March 2016, GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2016, which requires the County to implement this statement in FY 2017-18.

In November 2016, GASB issued Statement No. 83, "Certain Asset Retirement Obligations." This statement requires the recognition of a liability and a corresponding deferred outflows of resources associated with an asset retirement obligation based on the criteria and the measurement established in the statement. This statement also requires disclosure of required information about the asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the County to implement this statement in FY 2018-19.

In January 2017, GASB issued Statement No. 84, "Fiduciary Activities." This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which requires the County to implement this statement in FY 2019-20.

In March 2017, GASB issued Statement No. 85, "Omnibus 2017." This statement addresses issues that have been identified during implementation and application of certain GASB Statements. The topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits and more. The requirements of this statement are effective for reporting periods

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

beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In May 2017, GASB issued Statement No. 86, "Certain Debt Extinguishment Issues." This statement establishes disclosure requirements of in-substance defeasance of debt using only existing resources and prepaid insurance related to extinguished debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County to implement this statement in FY 2017-18.

In June 2017, GASB issued Statement No. 87, "Leases." This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement requires a lease to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflows of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this statement in FY 2020-21.

#### S. Use of Estimates

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

# T. <u>Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Position</u> <u>Line Items in Statement of Net Position</u>

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

Government-Wide Statement of Net Position Line Item	Corresponding Governmental and Proprietary Funds Balance Sheet or Statement of Net Position Line Item
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; Land Use Rights; Construction in Progress; and Intangible in Progress
Capital Assets – Depreciable/Amortizable (Net)	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Infrastructure and Accumulated Depreciation; and Intangible Software and Accumulated Amortization; Land Improvements and Accumulated Depreciation

#### 2. <u>DEFICIT FUND EQUITY</u>

The Workers' Compensation Internal Service Fund (ISF) reported a deficit net position balance of \$76,699. The deficit results from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment

#### 2. <u>DEFICIT FUND EQUITY (Continued)</u>

expenses, and a discount for anticipated investment income. The deficit decreased by \$16,752 from the previous fiscal year primarily due to a decrease in case reserves. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Workers' Compensation ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program.

Effective with OCDA's dissolution on February 1, 2012, 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. The Successor Agency private-purpose trust fund reported a deficit net position of \$12,467. The deficit for the Successor Agency decreased by \$4,771 from the previous fiscal year primarily due to an increase in intergovernmental revenues as a result of the termination of the Bankruptcy Recovery Contribution transfer to the General Fund.

## 3. 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 OCIP and an 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 Fund (JWA Fund) and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company, and therefore are exempt from SEC rules.

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 March 6, 2017, Standard & Poor's (S&P) reaffirmed its highest rating of AAAm Principal Stability Fund Rating (AAAm) on the OCMMF and the OCEMMF. The Treasurer will act on a "best efforts" basis to stabilize the Net Asset Value (NAV) of OCMMF and OCEMMF within a range of \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts). The pooled funds do not have any legally binding guarantees of share values.

The maximum maturity of investments for the two short-term pools is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the long-term pool is five years per CGC. The IPS provides that all pools, except short-term pools, shall have an effective duration not to exceed a leading 1-3 Year index +25%.

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

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 with the Treasurer totaled \$9,043,263 as of June 30, 2017, consisting of \$4,022,195 for the OCIP, \$4,867,136 for the OCEIP, and \$153,932 for Specific Investments.

Total County deposits and investments at fair value as of June 30, 2017, are reported as follows:

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Deposits.	
Imprest Cash	\$ 1,901
Deposits for OCIP with Treasurer	16,344
Deposits for OCEIP with Treasurer	47,522
Deposits with Trustees	47,511
All other Deposits and Timing Differences	(141,839)
Total Deposits and Timing Differences	(28,561)
Investments:	
Investments for OCIP with Treasurer	4,005,851
Investments for OCEIP with Treasurer	4,819,614
Specific Investments with Treasurer	153,932
Restricted Investments With Trustees	531,908
With External OCERS	 268,394
Total Investments	 9,779,699
Total Deposits and Investments	\$ 9,751,138
Total County deposits and investments are reported in the following funds:	
Governmental Funds	\$ 2,552,666
Proprietary Funds	1,049,638
Fiduciary Funds	6,101,385
Component Unit - CFCOC	47,449
Total Deposits and Investments	\$ 9,751,138

# A. Deposits

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

Written custodial agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the custodial institution. FDIC is available for 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.

#### B. Investments

The CGC Sections 53601 and 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality and timing to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2017, the Treasurer was in full compliance with the more restrictive IPS for the OCIP, OCEIP, and JWA Fund.

The following table provides a summary listing of the authorized investments as of June 30, 2017.

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Funds)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	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	3 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	3 Years	397 Days
State of California Local Agency Investment Fund	\$50 million per account	\$50 million per pool	N/A	N/A	N/A
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

#### B. Investments (Continued)

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 and all related entities, including parent and subsidiaries, 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; and the Treasurer has approved the purchase in writing prior to purchase.

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 OCEMMF is less than \$0.995 (in absolute dollar amounts) or greater than \$1.005 (in absolute dollar amounts), portfolio holdings may be sold as necessary to maintain the ratio between \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts).

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, 2017, the OCIP includes approximately 10.8% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

## B. <u>Investments (Continued)</u>

## **Investment Disclosures**

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2017.

			Interest Rate		Weighted Average Maturity		% of
With Treasurer:	Fair Value	Princip	al Range (%)	Maturity Range	(Years)	Rating (1)	Portfolio
OCIP (2)							
U.S. Government Agencies	r 20.442	ф <u>э</u> с	154 0 77 0 050/	07/02/47 00/02/47	0.040	D 4	0.050/
FNMA Discount Notes	\$ 38,142		,154 0.77 - 0.85%	07/03/17 - 08/02/17	0.040	P-1	0.95%
FNMA Bonds FFCB Discount Notes	400,868		,667 0.88 - 1.52% ,000 0.60 - 1.11%	08/28/17 - 02/28/20	1.550	AA P-1	10.01% 2.30%
	92,392			07/25/17 - 03/12/18	0.572		
FFCB Bonds	280,757		,312 0.51 - 1.59%	08/28/17 - 06/15/20	1.302	AA D.4	7.01%
FHLB Discount Notes	584,168		,650 0.79 - 1.04%	07/05/17 - 09/12/17	0.088	P-1	14.58%
FHLB Bonds	608,814		,202 0.72 - 1.59%	08/28/17 - 06/12/20	1.390	AA D.4	15.20%
FHLMC Discount Notes	27,205		,250 0.81 - 0.99%	07/13/17 - 10/20/17	0.164	P-1	0.68%
FHLMC Bonds	524,333	525	,616 0.70 - 1.55%	07/28/17 - 01/17/20	1.155	AA	13.09%
Negotiable Certificates of Deposit							
Certificates of Deposit	62,770		,689 1.69 - 1.72%	07/30/18 - 03/29/19	1.289	Α	1.57%
Certificates of Deposit	36,428	36	,373 1.36 - 1.75%	10/18/17 - 09/10/18	1.158	AA	0.91%
Medium-Term Corporate Notes							
Corporate Notes	48,295	47	7,765 1.10 - 1.35%	02/09/18 - 08/15/18	0.155	Α	1.21%
Corporate Notes	247,629	246	,404 1.05 - 1.76%	02/15/18 - 02/12/20	2.663	AA	6.18%
Corporate Notes	79,106	78	,620 0.82 - 1.49%	08/15/17 - 03/01/19	0.801	AAA	1.97%
Municipal Debt	183,339	183	,925 0.98 - 1.48%	08/01/17 - 06/29/18	0.663	NR	4.58%
U.S. Treasuries	609,619	609	,845 0.63 - 1.38%	07/31/17 - 07/31/19	1.274		15.22%
Money Market Mutual Funds	181,788	181	,788 0.85 - 0.93%	07/03/17	0.000	AAA	4.54%
Local Agency Investment Fund (LAIF)	198		198 0.98%	07/03/17	0.000	NR	0.00%
	\$ 4,005,851	\$ 4,010	,458		1.004 (4)		100.00%
					Weighted		
With Treasurer:	Fair Value	Princip	Interest Rate al Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
OCEIP (2)	Fair Value	Princip		Maturity Range	Average Maturity	Rating (1)	
OCEIP (2) U.S. Government Agencies			al Range (%)	· •	Average Maturity (Years)		Portfolio
OCEIP (2) U.S. Government Agencies FNMA Discount Notes	\$ 54,979	\$ 55	,000 0.77 - 0.85%	07/03/17 - 08/02/17	Average Maturity (Years)	P-1	Portfolio 1.14%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds	\$ 54,979 416,531	\$ 55 418	Range (%) ,000 0.77 - 0.85% ,387 0.69 - 1.52%	07/03/17 - 08/02/17 08/28/17 - 02/28/20	Average Maturity (Years) 0.046 1.555	P-1 AA	1.14% 8.64%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount	\$ 54,979 416,531 59,666	\$ 55 418	,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18	Average Maturity (Years) 0.046 1.555 0.491	P-1 AA P-1	1.14% 8.64% 1.25%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds	\$ 54,979 416,531 59,666 328,412	\$ 55 418 60 328	,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20	Average Maturity (Years) 0.046 1.555 0.491 1.174	P-1 AA P-1 AA	1.14% 8.64% 1.25% 6.82%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes	\$ 54,979 416,531 59,666 328,412 826,299	\$ 55 418 60 328 827	,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17	Average Maturity (Years) 0.046 1.555 0.491 1.174 0.124	P-1 AA P-1 AA P-1	1.14% 8.64% 1.25% 6.82% 17.14%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds	\$ 54,979 416,531 59,666 328,412 826,299 630,490	\$ 55 418 60 328 827 631	,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20	Average Maturity (Years) 0.046 1.555 0.491 1.174 0.124 1.396	P-1 AA P-1 AA P-1	1.14% 8.64% 1.25% 6.82% 17.14% 13.08%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLB Discount Notes	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970	\$ 55 418 60 328 827 631	,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17	Average Maturity (Years) 0.046 1.555 0.491 1.174 0.124 1.396 0.080	P-1 AA P-1 AA P-1 AA P-1	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Bonds	\$ 54,979 416,531 59,666 328,412 826,299 630,490	\$ 55 418 60 328 827 631	,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20	Average Maturity (Years) 0.046 1.555 0.491 1.174 0.124 1.396	P-1 AA P-1 AA P-1	1.14% 8.64% 1.25% 6.82% 17.14% 13.08%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Doscount Notes FHLMC Bonds Negotiable Certificates of Deposit	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616	\$ 55 418 60 328 827 631 73	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20	Average Maturity (Years) 0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142	P-1 AA P-1 AA P-1 AA P-1	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616	\$ 55 418 60 328 827 631 73 560	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289	P-1 AA P-1 AA P-1 AA P-1 AA	Portfolio  1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616	\$ 55 418 60 328 827 631 73 560	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20	Average Maturity (Years) 0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142	P-1 AA P-1 AA P-1 AA P-1	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284	\$ 55 418 60 328 827 631 73 560	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289	P-1 AA P-1 AA P-1 AA P-1 AA	Portfolio  1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616	\$ 55 418 60 328 827 631 73 560	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289	P-1 AA P-1 AA P-1 AA P-1 AA	Portfolio  1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit Medium-Term Corporate Notes	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284	\$ 55 418 60 328 827 631 73 560 65 36	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55% ,311 1.69 - 1.72% ,227 1.69 - 1.75%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20 07/30/18 - 03/29/19 09/10/18	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289 1.197	P-1 AA P-1 AA P-1 AA P-1 AA	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit Certificates of Deposit Medium-Term Corporate Notes Corporate Notes	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284 45,232	\$ 55 418 60 328 827 631 73 560 65 36	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55% ,311 1.69 - 1.72% ,227 1.69 - 1.75%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20 07/30/18 - 03/29/19 09/10/18 07/12/17 - 08/15/18	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289 1.197 0.140	P-1 AA P-1 AA P-1 AA P-1 AA	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59% 0.75%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit Certificates of Deposit Medium-Term Corporate Notes Corporate Notes Corporate Notes	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284 45,232 284,241	\$ 55 418 60 328 827 631 73 560 65 36 44 282 86	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55% ,311 1.69 - 1.72% ,227 1.69 - 1.75% ,548 0.74 - 1.37% ,347 1.05 - 1.76%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20 07/30/18 - 03/29/19 09/10/18 07/12/17 - 08/15/18 02/15/18 - 02/12/20	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289 1.197 0.140 2.609	P-1 AA P-1 AA P-1 AA P-1 AA AA	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59% 0.75% 0.94% 5.90%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Discount Notes FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Certificates of Deposit Certificates of Deposit Medium-Term Corporate Notes Corporate Notes Corporate Notes Corporate Notes	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284 45,232 284,241 87,407	\$ 55 418 60 328 827 631 73 560 65 36 44 282 86	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55% ,311 1.69 - 1.72% ,227 1.69 - 1.75% ,548 0.74 - 1.37% ,347 1.05 - 1.76% ,851 0.82 - 1.74%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20 07/30/18 - 03/29/19 09/10/18 07/12/17 - 08/15/18 02/15/18 - 02/12/20 08/15/17 - 11/21/17	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289 1.197  0.140 2.609 0.756	P-1 AA P-1 AA P-1 AA P-1 AA AA	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59% 0.75% 0.94% 5.90% 1.81%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Bonds FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Medium-Term Corporate Notes Corporate Notes Corporate Notes Corporate Notes Municipal Debt	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284 45,232 284,241 87,407 191,005	\$ 55 418 60 328 827 631 73 560 65 36 44 282 86 191	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55% ,311 1.69 - 1.72% ,227 1.69 - 1.75% ,548 0.74 - 1.37% ,347 1.05 - 1.76% ,851 0.82 - 1.74% ,615 0.98 - 1.48%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20 07/30/18 - 03/29/19 09/10/18 07/12/17 - 08/15/18 02/15/18 - 02/12/20 08/15/17 - 11/21/17 08/01/17 - 06/29/18	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289 1.197  0.140 2.609 0.756 0.663	P-1 AA P-1 AA P-1 AA P-1 AA AA	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59% 0.75% 0.94% 5.90% 1.81% 3.96%
OCEIP (2) U.S. Government Agencies FNMA Discount Notes FNMA Bonds FFCB Discount FFCB Bonds FHLB Discount Notes FHLB Discount Notes FHLMC Discount Notes FHLMC Discount Notes FHLMC Bonds Negotiable Certificates of Deposit Medium-Term Corporate Notes Corporate Notes Corporate Notes Municipal Debt U.S. Treasuries	\$ 54,979 416,531 59,666 328,412 826,299 630,490 72,970 558,616 65,395 36,284 45,232 284,241 87,407 191,005 913,940	\$ 55 418 60 328 827 631 73 560 65 36 44 282 86 191	Al Range (%)  ,000 0.77 - 0.85% ,387 0.69 - 1.52% ,000 0.60 - 1.07% ,948 0.71 - 1.59% ,300 0.83 - 1.04% ,933 0.72 - 1.59% ,025 0.81 - 0.99% ,018 0.70 - 1.55% ,311 1.69 - 1.72% ,227 1.69 - 1.75% ,548 0.74 - 1.37% ,347 1.05 - 1.76% ,851 0.82 - 1.74% ,615 0.98 - 1.48% ,300 0.72 - 1.38%	07/03/17 - 08/02/17 08/28/17 - 02/28/20 07/25/17 - 03/07/18 07/03/17 - 06/15/20 07/05/17 - 12/28/17 08/07/17 - 06/12/20 07/12/17 - 10/11/17 07/14/17 - 01/17/20 07/30/18 - 03/29/19 09/10/18 07/12/17 - 08/15/18 02/15/18 - 02/12/20 08/15/17 - 11/21/17 08/01/17 - 06/29/18 07/31/17 - 07/31/19	Average Maturity (Years)  0.046 1.555 0.491 1.174 0.124 1.396 0.080 1.142 1.289 1.197  0.140 2.609 0.756 0.663 0.925	P-1 AA P-1 AA P-1 AA P-1 AA AA AAA NR	1.14% 8.64% 1.25% 6.82% 17.14% 13.08% 1.52% 11.59%  0.75%  0.94% 5.90% 1.81% 3.96% 18.96%

#### B. Investments (Continued)

## **Investment Disclosures (Continued)**

					Interest Rate		Weighted Average Maturity		% of
With Treasurer:	Fa	air Value	F	Principal	Range (%)	Maturity Range	(Years)	Rating (1)	Portfolio
Specific Investments (2)									
U.S. Government Agencies	_								
FNMA Discount Notes	\$	1,798	\$	1,800	1.01%	08/07/17	0.104	P-1	1.17%
FNMA Bonds		18,180		18,195	0.67 - 2.06%	08/28/17 - 01/05/22	2.456	AA	11.81%
FFCB Discount		2,970		3,000	1.14 - 1.21%	03/08/18 - 05/24/18	0.828	P-1	1.93%
FFCB Bonds		5,497		5,500	0.91 - 1.08%	07/03/17 - 06/22/18	0.671	AA	3.57%
FHLB Discount Notes		15,341		15,365	0.61 - 1.08%	07/07/17 - 11/10/17	0.156	P-1	9.97%
FHLB Bonds		13,539		13,500	0.80 - 1.78%	07/27/17 - 07/29/20	1.371	AA	8.79%
FHLMC Discount Notes		3,991		4,000	0.85 - 1.03%	08/02/17 - 11/02/17	0.216	P-1	2.59%
FHLMC Bonds		3,491		3,500	0.94%	01/12/18	0.537	AA	2.27%
U.S. Treasuries		16,451		16,499	0.70 - 1.16%	07/31/17 - 01/13/21	0.946		10.69%
U.S. Treasuries - SLGS		67,557		67,557	0.76%	09/11/17	0.821		43.89%
Repurchase Agreements		1,082		1,082	6.20%	08/15/19	2.126	AA	0.70%
Money Market Mutual Funds		4,035		4,035	0.01 - 0.04%	07/03/17	0.000	AAA	2.62%
	\$	153,932	\$	154,033	•	•	0.689 (4)		100.00%
With Trustees:	Fa	air Value	F	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
Restricted Investments with Trustees (2)				•		, ,			
U.S. Government Agencies									
FNMA Zero Coupon Bonds	\$	61,388	\$	28,132	0.00%	09/01/21	1.620	NR	11.54%
FHLMC Bond	•	18,450	•	18.450	0.88 - 4.88%	06/13/18 - 07/19/19	0.180	AA	3.47%
FNMA Bond		16.673		16.673	1.13 - 1.88%	09/18/18 - 02/19/19	0.150	AA	3.13%
FHLB Bond		16,467		16,467	0.88 - 1.38%	03/19/18 - 03/18/19	0.160	AA	3.10%
FHLMC Discount Notes		18,603		18,603	1.13%	04/15/19	0.210	AA	3.50%
FFCB Bond		26,575		26,575	0.75 - 1.63%	04/18/18 - 06/14/19	0.270	AA	5.00%
U.S. Treasuries		90.952		90.854	Variable	07/20/17 - 11/30/20	1.100		17.10%
U.S. Treasury Strips		69		10	0.00%	11/15/18	1.380		0.01%
Money Market Mutual Funds		248,292		248,292	Variable	07/03/17	0.000	AAA	46.68%
Bond Mutual Funds		6,377		6,377	0.79% - 7.35%	07/03/17	0.000	NR	1.20%
Mutual Funds		12,563		12,563	Variable	07/03/17	0.000	NR	2.36%
Stable Value Fund		15,499		15,499	Variable	07/03/17	0.000	NR	2.91%
Sass value i and	\$	531,908	\$	498,495	Variable	•	0.380 (4)	1411	100.00%
	φ	331,300	Ψ	430,433			0.300 (4)		.00.0070
With External OCERS									
·									

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

(2) Legend:

FNMA-Federal National Mortgage Association

FFCB-Federal Farm Credit Bank

FHLB-Federal Home Loan Bank

FHLMC-Federal Home Loan Mortgage Corporation

SLGS-State and Local Government Series Certificate of Indebtedness

(4) Portfolio weighted average maturity

<sup>(3)</sup> The Retiree Medical Trust Reports \$268,394 of restricted investments with OCERS. Refer to Note 18. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at <a href="http://www.ocers.org/finance/finance.htm">http://www.ocers.org/finance/finance.htm</a>.

#### B. Investments (Continued)

## Investment Disclosures (Continued)

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

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

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

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

The following table presents a summary of the County's investments according to the assigned fair value hierarchy level as of June 30, 2017.

	Fair Value Measurement							
	Total		Active N	l Prices in Markets for al Assets vel 1)	_	nificant Other ervable Inputs (Level 2)	Unob:	nificant servable puts vel 3)
<u>OCIP</u>								
U.S. Government Agencies	\$	2,556,679	\$		\$	2,556,679	\$	
Negotiable Certificates of Deposit		99,198				99,198		
Medium-Term Corporate Notes		375,030				375,030		
Municipal Debt		183,339				183,339		
U.S. Treasuries		609,619				609,619		
Sub-total		3,823,865				3,823,865		
Investments Not Subject to Fair Value	Hierarch	y:						
Money Market Mutual Funds		181,788						
Local Agency Investment Fund (LAIF)		198						
Total	\$	4,005,851						
OCEIP								
U.S. Government Agencies	\$	2,947,963	\$		\$	2,947,963	\$	
Negotiable Certificates of Deposit		101,679				101,679		
Medium-Term Corporate Notes		416,880				416,880		
Municipal Debt		191,005				191,005		
U.S. Treasuries		913,940				913,940		
Sub-total		4,571,467				4,571,467		
Investments Not Subject to Fair Value	Hierarch	v:						
Money Market Mutual Funds		247,941						
Local Agency Investment Fund (LAIF)		206						
Total	\$	4,819,614						

#### B. Investments (Continued)

Investment Disclosures (Continued)

				Fa	Fair Value Measurement				
		Total	Active Identi	ed Prices in Markets for cal Assets evel 1)	Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
Specific Investments									
U.S. Government Agencies	\$	64,807	\$		\$	64,807	\$		
U.S. Treasuries		16,451				16,451			
Repurchase Agreements		1,082						1,082	
Sub-total		82,340				81,258		1,082	
Investments Not Subject to Fair Valu	ıe Hierar	chy:							
Money Market Mutual Funds		4,035							
U.S. Treasuries - SLGS *		67,557							
Total	\$	153,932							
With Trustees									
U.S. Government Agencies	\$	158,156	\$		\$	158,156	\$		
U.S. Treasuries		91,021		358		90,663			
Bond Mutual Funds		6,377		6,377					
Mutual Funds		12,563		12,563					
Sub-total		268,117		19,298		248,819			
Investments Not Subject to Fair Valu	ıe Hierar	chy:							
Money Market Mutual Funds		248,292							
Stable Value Fund		15,499							
Total	\$	531,908							

<sup>\*</sup> SLGS - State and Local Government Series Certificate of Indebtedness

## Investment in County of Orange Taxable Pension Obligation Bonds 2017, Series A

On January 13, 2017, the OCIP and the OCEIP purchased the County issued Taxable Pension Obligation Bonds 2017, Series A (2017 POBs) in the principal amount of \$375,540. The 2017 POBs were issued with a fixed coupon rate with maturities from August 2017 to June 2018 and are solely owned by OCIP and OCEIP. The obligation of the County to pay principal and interest on the 2017 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2017, the outstanding principal amount of the 2017 POBs is \$375,540. The bonds are not rated by any of the NRSROs. The County's investment in the 2017 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 9, Short-Term Obligations, and Note 17, Retirement Plans.

#### Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. 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 table in the Investment Disclosures section.

The OCIP of \$4,005,851 and the OCEIP of \$4,819,614 portfolios at June 30, 2017 have 33% and 42%, respectively, of the investments maturing in six months or less, 67% and 58%, respectively, maturing between six months and three years.

## B. <u>Investments (Continued)</u>

## Interest Rate Risk - Investments (Continued)

As of June 30, 2017, variable-rate notes comprised 0.37% and 0.64% of the OCIP and the OCEIP, respectively. The notes are tied to the Federal Funds rate, the 90-day Treasury Bill rate, the one-month and three-month London Interbank Offered Rate (LIBOR) with daily, 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 weighted average maturity (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 \$4,225,345 and \$4,189,092, respectively, with an annual net yield of 0.81% and 0.82% respectively, for the pools, for the year ended June 30, 2017.

#### Interest Rate Risk-Weighted Average Maturity (Short-term Pool)

At June 30, 2017, the OCMMF and OCEMMF investments fair values amounted to \$1,127,902 and \$1,821,325, respectively. In accordance with the Board 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, 2017, the WAM of the OCMMF was 60 days and the OCEMMF was 58 days. At the same date, the NAV of both short-term pools was \$1.00 (in absolute dollar amounts).

#### Interest Rate Risk-Duration (Long-term Pool)

At June 30, 2017, the long-term pool (which includes funds from both the OCIP and the OCEIP) balance was \$5,876,238. Of this amount, the OCIP owned 49% and the OCEIP owned 51%. 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 (2.35).

Duration

As of June 30, 2017, the long-term pool had the following duration by investment type:

				Duration	
Investment Type	F	air Value	Portfolio %	(In Years)	
Negotiable Certificate of Deposits	\$	199,277	3.39%	1.25	
Local Agency Investment Fund		404	0.01%	0.00	
Medium-Term Corporate Notes		584,964	9.95%	1.38	
Municipal Debt		374,344	6.37%	0.66	
U.S. Government Agencies		3,523,546	59.96%	1.39	
U.S. Treasuries		1,193,703	20.31%	1.32	
Total Fair Value	\$	5,876,238			
Portfolio Duration				1.32	

#### **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).

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

## B. <u>Investments (Continued)</u>

#### Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. The IPS sets forth the minimum acceptable credit ratings for investments from at least two of the following NRSROs: S&P, Moody's, or Fitch. For purchases of short-term debt, the issuer rating must be no less than A-1 or SP-1 (S&P), P-1 or MIG 1/VMIG 1 (Moody's), or F1 (Fitch) for purchases with remaining maturities less than 397 days, while purchases of long-term debt shall have issuer ratings no less than AA for purchases with remaining maturities longer than 397 days. Municipal debt issued by the County is exempt from the above credit rating requirements. As of June 30, 2017, the County's investments were in compliance with the IPS limits when purchased.

## Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2017, all investments were in compliance with state law and the IPS single issuer limits. See the County's investments table for concentrations of holdings. The following holdings with Treasurer exceeded 5 percent of the portfolio at June 30, 2017.

#### With Treasurer:

	Percentage of Portiono
lssuer	2017
Federal National Mortgage Association	10.36%
Federal Farm Credit Bank	8.57%
Federal Home Loan Bank	29.83%
Federal Home Loan Mortgage Corporation	13.26%
United States Treasuries	17.90%
	Federal National Mortgage Association Federal Farm Credit Bank Federal Home Loan Bank Federal Home Loan Mortgage Corporation

## Foreign Currency Risk

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

# **Condensed Financial Statements**

In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2017:

#### **Entire Pool**

## **Statement of Net Position**

	OCIP		OCEIP	Total		
Net Position Held for Pool Participants	\$	4,094,194	\$ 4,827,922	\$	8,922,116	
Equity of Internal Pool Participants Equity of External Pool Participants Undistributed and Unrealized (Loss)	\$	3,679,347 428,986 (14,139)	\$  4,842,837 (14,915)	\$	3,679,347 5,271,823 (29,054)	
Total Net Position	\$	4,094,194	\$ 4,827,922	\$	8,922,116	
Statement of Changes in Net Position						
Net Position at July 1, 2016  Net Changes in Investments by Pool	\$	3,905,974	\$ 4,229,524	\$	8,135,498	
Participants		188,220	 598,398		786,618	
Net Position at June 30, 2017	\$	4,094,194	\$ 4,827,922	\$	8,922,116	
Equity of External Pool Participants Undistributed and Unrealized (Loss) Total Net Position  Statement of Changes in Net Position  Net Position at July 1, 2016 Net Changes in Investments by Pool Participants	\$	428,986 (14,139) 4,094,194 3,905,974 188,220	\$ (14,915) 4,827,922 4,229,524 598,398	\$	5,271,823 (29,054 8,922,116 8,135,498 786,618	

#### B. Investments (Continued)

## Condensed Financial Statements (Continued)

#### **External Pool Portion**

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

	OCIP			OCEIP		Total
<u>Assets</u>		_			· ·	
Pooled Cash/Investments	\$	427,888	\$	4,813,429	\$	5,241,317
Receivables						
Interest/Dividends		1,184		14,522		15,706
Total Assets		429,072		4,827,951		5,257,023
<u>Liabilities</u>						
Due to Other Governmental Agencies		86		29		115
Total Liabilities		86	-	29		115
Net Position						
Restricted for Pool Participants		428,986		4,827,922		5,256,908
Total Net Position	\$	428,986	\$	4,827,922	\$	5,256,908

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

	OCIP		OCEIP		Total
Additions:					 
Contributions to Pooled Investments	\$	691,716	\$	8,356,432	\$ 9,048,148
Interest and Investment Income		1,108		22,027	23,135
Less: Investment Expense		(166)		(2,648)	(2,814)
Total Additions		692,658		8,375,811	 9,068,469
Deductions:					
Distributions from Pooled Investments		606,600		7,777,413	8,384,013
Total Deductions		606,600		7,777,413	 8,384,013
Change in Net Position Held in					
Trust For External Investment Pool		86,058		598,398	684,456
Net Position, Beginning of Year		342,928		4,229,524	4,572,452
Net Position, End of Year	\$	428,986	\$	4,827,922	\$ 5,256,908

#### 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

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

• Level 1 Quoted prices in active markets for identical assets or liabilities

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

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 Significant unobservable inputs

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

#### Marketable Securities

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

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

	Investment Assets at Fair Value as of June 30, 2017							
	Level 1		Level 2		Level 3			Total
U.S. Treasury Notes	\$	540,798	\$		\$		\$	540,798
Government			•	109,063				109,063
U.S. Agencies			•	119,391				119,391
Asset-Backed Securities				97,004				97,004
Corporate Bonds			4	151,582				451,582
Mortgage-Backed Securities				84,380				84,380
Municipal Bonds				88,410				88,410
Certificates of Deposit				55,581				55,581
Commercial Paper				47,777				47,777
	\$	540,798	\$ 1,0	053,189	\$		\$	1,593,987

Cash and investments are reported in the June 30 statement of net position as follows:

	2017
Current Assets:	
Cash and Cash Equivalents	\$ 510,063
Investments	1,082,426
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	17,710
Investments	517,429
Restricted Deposit	300
Total	\$2,127,928

## 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, 2017, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

#### 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, corporate securities, money market funds, and mortgage or asset-backed securities.

#### Interest rate risk

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

As of June 30, 2017, CalOptima's investments, including cash equivalents, had the following modified duration:

			In	vestment Mati	urities (In Years)			
	F	air Value	Les	ss Than 1	-	1-5		
U.S. Agencies	\$	119,391	\$	48,257	\$	71,134		
Asset-Backed Securities		97,004				97,004		
Corporate Bonds		451,582		206,123		245,459		
Government		109,063		86,287		22,776		
Mortgage-Backed Securities		84,380		18,022		66,358		
Municipal Bonds		88,410		19,159		69,251		
U.S. Treasury Notes		540,798		239,394		301,404		
Certificates of Deposits		55,581		36,575		19,006		
Commercial Paper		47,777		47,777				
Cash Equivalents		427,031		427,031				
Cash		38,188		38,188				
Total		2,059,206	\$	1,166,814	\$	892,392		
A sourced Interest Descinable		F 004						
Accrued Interest Receivable		5,901						
	<u>\$</u>	2,065,107						

## Investment with fair values highly sensitive to interest rate fluctuations

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

	Fair Value	, June 30, 2017
Asset-Back Securities	\$	97,004
Mortgage-Backed Securities		84,380
	\$	181,384

## Credit risk

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

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

As of June 30, 2017, following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	AAA	Aa & Aa+	Rating as Aa-	of	Year-End A+	A/A-1	A-
	7 000	9	2.00.000.0	,,,,,	710 01710	- 1.00			7 0 7 1	
U.S. Treasury Notes	\$ 556,752	N/A	\$ 556,752 \$	_	\$ _ 5	\$	\$	- \$	\$	
U.S. Agency Notes	165,604	N/A	165,604							
Corporate Bonds	383,258	A-		13,709	31,590	30,923		104,003	135,217	67,746
FRN Securities	144,908	A-		45,471	13,986	6,213		25,874	37,150	16,215
Asset-Backed Securities	125,247	AAA		67,063	15,855	9,441			2,887	
Mortgage-Backed Securities	84,491	AAA		83,412	1,079					
Municipal Bonds	63,299	Α		2,567	27,034	33,210				487
Supranational	79,184	AAA		79,184						
Certificates of Deposit	40,642	A1/P1		40,642						
Commercial Paper	92,223	A1/P1		92,223						
Money Market Mutual Funds	329,498	AAA		329,498						
Total	\$ 2,065,107	<u>-</u> -	\$ 722,356 \$	753,770	\$ 89,544	79,787	\$	129,877 \$	175,254 \$	84,448

## 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% of the amount of investment holdings with any one government-sponsored issuer and 5% of all other issuers. At June 30, 2017, all holdings complied with the foregoing limitations. The following holdings exceeded 5 percent of the portfolio at June 30, 2017:

		Percentage of Portfolio
Investment Type	Issuer	2017
	<del></del> -	
U.S. Agency Notes	Federal Home Loan Bank	2.05
U.S. Treasury Notes	United States Treasury	26.09

# 4. CHANGES IN CAPITAL ASSETS

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

	Primary Government												
		Balance			-			Balance					
	Ju	ly 1, 2016	in	creases	Decreases	Adjustments	JL	ine 30, 2017					
Governmental Activities:													
Capital Assets Not Depreciable/Amortizable:													
Land	\$	834,406	\$	4,867	\$	\$	\$	839,273					
Land Use Rights (Permanent)		7,602						7,602					
Construction in Progress		118,864		142,426	(85,843)			175,447					
Intangible in Progress		3,453		4,778	(2,669)			5,562					
Total Capital Assets Not													
Depreciable/Amortizable		964,325		152,071	(88,512)			1,027,884					
Capital Assets, Depreciable/Amortizable:													
Structures and Improvements		1,235,613		11,507	(42)			1,247,078					
Land Improvements		2,629		1,617	`			4,246					
Equipment		417,640		51,974	(15,551)	(437)		453,626					
Software		110,156		13,215	(822)	`		122,549					
Infrastructure:		•		•	, ,								
Flood Channels		1,244,714		9,842	(810)			1,253,746					
Roads		238,578		54,523	`			293,101					
Bridges		106,795		9,587				116,382					
Trails		44,073						44,073					
Traffic Signals		11,956						11,956					
Harbors and Beaches		41,238						41,238					
Total Capital Assets,		,						,					
Depreciable/Amortizable		3,453,392		152,265	(17,225)	(437)		3,587,995					
Less Accumulated Depreciation/Amortization For:													
Structures and Improvements		(663,282)		(31,628)	42			(694,868)					
Land Improvements		(193)		(242)				(435)					
Equipment		(307,643)		(21,228)	15,091			(313,780)					
Software		(71,443)		(7,672)	774			(78,341)					
Infrastructure:		( , ,		( , ,				( , ,					
Flood Channels		(318,487)		(16,844)	967			(334,364)					
Roads		(133,791)		(8,318)				(142,109)					
Bridges		(39,130)		(2,218)				(41,348)					
Trails		(33,861)		(1,048)				(34,909)					
Traffic Signals		(10,832)		(115)				(10,947)					
Harbors and Beaches		(30,132)		(1,006)				(31,138)					
Total Accumulated		(00):02)		(1,000)				(0.,.00)					
Depreciation/Amortization		(1,608,794)		(90,319)	16,874			(1,682,239)					
Total Capital Assets,		(1,000,10-1)		(55,515)	10,014			(1,002,200)					
Depreciable/Amortizable (Net)		1,844,598		61,946	(351)	(437)		1,905,756					
Governmental Activities Total Capital Assets, Net	\$	2,808,923	\$	214,017	\$ (88,863)	\$ (437)	\$	2,933,640					

Capital asset activity for the year ended June 30, 2017 includes a negative adjustment of \$437 in Equipment due to prior years' accruals of non-capital expenses.

# 4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government											
		Balance ly 1, 2016	_In	creases	De	ecreases	Adjus	tments	_Ju	Balance ine 30, 2017		
Business-Type Activities:												
Capital Assets Not Depreciable/Amortizable:												
Land	\$	37,842	\$		\$		\$		\$	37,842		
Construction in Progress		40,555		86,302		(22,925)				103,932		
Intangible in Progress		2,068		20		(1,833)				255		
Total Capital Assets Not		_			-							
Depreciable/Amortizable		80,465		86,322		(24,758)				142,029		
Capital Assets, Depreciable/Amortizable:												
Structures and Improvements		782,234		7,029						789,263		
Equipment		81,977		7,113		(5,127)				83,963		
Software		1,407		2,234						3,641		
Infrastructure		602,689		18,479						621,168		
Total Capital Assets,												
Depreciable/Amortizable		1,468,307		34,855		(5,127)				1,498,035		
Less Accumulated Depreciation/Amortization For:												
Structures and Improvements		(283,083)		(24,953)						(308,036)		
Equipment		(58,079)		(5,072)		4,777				(58,374)		
Software		(281)		(469)						(750)		
Infrastructure		(358,400)		(16,765)		-				(375, 165)		
Total Accumulated												
Depreciation/Amortization		(699,843)		(47,259)		4,777				(742,325)		
Total Capital Assets,												
Depreciable/Amortizable (Net)		768,464		(12,404)		(350)				755,710		
Business-Type Activities Total Capital Assets, Net	\$	848,929	\$	73,918	\$	(25, 108)	\$		\$	897,739		
Depreciation/Amortization expense was allocat Government Activities: General Government Public Protection Public Ways and Facilities Health and Sanitation Public Assistance Education Recreation and Cultural Services Internal Service Funds' Depreciation Expen Total Governmental Activities Depreciat  Business-Type Activities: Airport Waste Management Total Business-Type Activities Depreciat	se Allo	ocated to Va	ario. Expe	us Functio		governme \$ 	ent as	9,18 42,45 13,17 3,73 4,81 1,48 7,38 8,08 90,31	61 69 77 66 44 62 64 66 9			
Total Depreciation/Amortization Expense						\$		137,57	8			
									_			

#### 5. 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 \$26,503 as of June 30, 2017. Of this amount, \$951 is not expected to be collected within the next fiscal year. This primarily consists of \$656 for animal care delinquent invoices and \$256 of expected recoveries from the Airport's multi-year fixed-base operator lessee for pollution remediation costs.

#### Deposits Receivable

Deposits Receivable had a balance of \$4,921 as of June 30, 2017. Of this amount, \$4,081 is not expected to be collected within the next fiscal year. This primarily consists of \$3,283 in operating accounts for Dana Point Harbor operators, the Green River Golf Course, and other deposits held for contracted services. In addition, \$528 is not expected to be collected within the next fiscal year for deposits held in condemnation proceedings related to real property acquired through eminent domain.

# **Due from Other Governmental Agencies**

Due from Other Governmental Agencies had a balance of \$414,207 as of June 30, 2017. Of this amount, \$44,807 is not expected to be received within the next fiscal year, which primarily consists of \$24,637 owed by the State of California to the County for various mandated cost reimbursements for programs and services the State requires the County to provide. \$17,571 is for expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources and \$2,253 is for behavioral health activities. In addition, \$119 is owed by the city of Rancho Santa Margarita for amounts due under their Revenue Neutrality Agreement.

# Notes Receivable

Notes Receivable had a balance of \$27,572 as of June 30, 2017. Of this amount, \$27,118 is not expected to be received within the next fiscal year. This primarily consists of \$24,426 for loans to build affordable, low to moderate income, and senior housing. In addition, \$2,030 is for housing loans for MHSA programs and \$597 is for loans provided to first time home buyers.

## 6. 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.

# 6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2017 is as follows:

Due from/to other funds:

						Re	се	ivable Fu	nds				
		Flood		Other		Other				Co	mpressed	Internal	
	General	Control		Public	Go	overnmental			Waste		Natural	Service	
Payable Funds	Fund	District	P	rotection		Funds		Airport	Management		Gas	Funds	Total
General Fund	\$ 	\$ 1,751	\$	3,606	\$	34,036	\$	52	\$ 9	\$	5	\$ 4,266	\$ 43,725
Flood Control District	9,639					742			46			4	10,431
Other Public Protection	14,690					605						12	15,307
Mental Health Services Act	15,288												15,288
Other Governmental Funds	56,787	996		1		2,345			31			161	60,321
Airport	2,330	4		1		57						213	2,605
Waste Management	3,728	17				165						24	3,934
Compressed Natural Gas	19												19
Internal Service Funds	2,437	34				13						37	2,521
Total	\$ 104,918	\$ 2,802	\$	3,608	\$	37,963	\$	52	\$ 86	\$	5	\$ 4,717	\$ 154,151

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	 Amount
Primary Government – General Fund	Component Unit – CFCOC	\$ 339
Component Unit – CFCOC	Primary Government – Other Governmental Funds	1

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

Advances to/from other funds:

Receivable Entity	Payable Entity	 Amount
General Fund	Other Governmental Funds	\$ 3,800
Waste Management	General Fund	784
Waste Management	Other Governmental Funds	28,840

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 FY 2003-04 through FY 2011-12. The Waste Management Fund made advances to the General Fund for various information technology capital projects and to Other Governmental Funds for the Sheriff-Coroner's James A. Musick Facility Expansion project. The Waste Management Fund also made advances to Orange County Community Resources for the construction of a new OC Animal Care Center, replacing the existing shelter in the city of Orange.

# 7. 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, 2017, approximates \$60,466, net of accumulated depreciation.

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

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, 2017 are as follows:

Fiscal Year Ending June 30	Governmental A	Activities	Business-type Activities
2018	\$	13,955	\$ 56,616
2019		12,496	43,688
2020		11,872	35,153
2021		10,795	23,702
2022		10,783	6,564
		59,901	165,723
2023-2027		46,944	16,472
2028-2032		45,411	13,194
2033-2037		50,223	
2038-2042		24,260	
2043-2047		4,827	
2048-2052		4,509	
2053-2057		4,780	
2058-2062		5,065	
2063-2067		5,358	
2068-2072		5,843	
2073-2077		6,242	
2078-2081		4,606	
		208,068	29,666
Total future minimum rentals	\$ 2	267,969	\$ 195,389

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$33,540 (Enterprise Funds), \$5,994 (Other Governmental Funds), \$550 (Internal Service Funds) and \$346 (Flood Control District) for the year ended June 30, 2017.

### 8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfer In Funds													
				Flood		Other		Other				Internal		
	Ge	eneral		Control		Public		Governmental		Waste		Service		
Transfer Out Funds	F	und		District		Protection		Funds		Management		Funds		Total
General Fund	\$		\$		\$	16,578	\$	130,641	\$	6	\$	6,083	\$	153,308
Flood Control District		2,767						25				1,141		3,933
Other Public Protection		28,338						1,248				240		29,826
Mental Health Services Act	1	37,914												137,914
Other Governmental Funds	1	13,270						192,768		27		845		306,910
Waste Management		25,805												25,805
Compressed Natural Gas				150										150
Internal Service Funds		3,874		215								12		4,101
Total	\$ 3	11,968	\$	365	\$	16,578	\$	324,682	\$	33	\$	8,321	\$	661,947

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

# 8. <u>INTERFUND TRANSFERS (Continued)</u>

(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 MHSA, and (6) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. Not all-inclusive, the summary below details some of the more significant transfers:

#### Routine Transfers

#### From General Fund

- \$22,520 was transferred to Other Governmental Funds in connection with debt service payments for various County debt issues.
- \$17,103 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.
- \$12,927 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- \$12,445 was transferred to Other Public Protection for the purchase of new equipment for the 800 MHz County-Wide Coordinated Communications system.
- \$3,827 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- \$2,000 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities.
- \$1,853 was transferred to Internal Service Funds for medical reimbursements.

#### From Flood Control District

\$2,456 was transferred to the General Fund for the Watershed Management Program.

#### From Other Public Protection

- \$12,441 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.
- \$6,617 was transferred to the General Fund for the reimbursement of various District Attorney Programs, such as Proposition 64 Consumer Protection Fund, Real Estate Fraud, Orange County Auto Theft Task Force (OCATT), and Supplemental Law Enforcement Services Fund (SLESF).
- \$3,378 was transferred to the General Fund for the reimbursement of qualifying Public Protection expenditures incurred by the Clerk-Recorder's Office for specific charges mandated by state law that includes modernization of the County's record keeping system, health statistics, micrographics, and security measures.
- \$2,235 was transferred to the General Fund for the Sheriff-Coroner's Backbone Cost Sharing Program.

### From Mental Health Services Act

• \$137,914 was transferred to the General Fund for the reimbursement of qualifying Proposition 63 MHSA expenditures.

## From Other Governmental Funds

- \$41,162 was transferred to the General Fund for the reimbursement of various County programs as follows:
  - \$27,478 for the Social Services Agency Wraparound Program
  - \$7,533 for Emergency Medical Services
  - \$5,000 for the Center for Disease Control pandemic flu H1N1 costs
  - \$1,151 for the Alcohol & Drug Assessment and Automated Vital Health Statistics program
- \$27,721 of tobacco settlement monies was transferred to the General Fund to finance Health Care Agency's various health care programs and Sheriff-Coroner Department's operational costs.
- \$4,979 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.

#### 8. INTERFUND TRANSFERS (Continued)

#### Routine Transfers (Continued)

• \$2,405 was transferred to the General Fund for reimbursement of debt service payments associated with parking facilities.

#### From Enterprise Funds

 \$25,805 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 General Fund

- \$39,932 was transferred to Other Governmental Funds for various capital projects including, the El Toro Development project, the Year-Round Emergency Shelter and Multi Service Center, and the Civic Center Facilities Master Plan.
- \$12,183 was transferred to Other Governmental Funds for data systems development projects including the Property Tax System re-platforming project.
- \$11,620 was transferred to Other Governmental Funds for the excess Teeter Tax Loss Reserves.
- \$7,375 was transferred to Other Governmental Funds to reimburse expenditures for Sheriff-Coroner construction and facility development projects.
- \$4,100 was transferred to Other Governmental Funds for the design of the Probation South County Facility.
- \$2,270 was transferred to Other Public Protection for the Building and Safety operating reserve.

#### From Internal Service Funds

\$3,665 was transferred to the General Fund for various data systems development projects.

# From Flood Control District

• \$1,141 was transferred to Internal Service Funds for the purchase of vehicles.

#### From Other Public Protection

- \$1,879 was transferred to the General Fund for funding of technological improvements, such as the Customer Relationship Management/Land Management Software (CRM/LMS).
- \$1,150 was transferred to the Other Governmental Funds for Sheriff-Coroner capital projects, including the kitchen floor at the Theo Lacy facility.
- \$1,014 was transferred to the General Fund to cover the shortfall of state and federal appropriations over department expenditures in Child Support Services.

#### From Other Governmental Funds

- \$152,489 was transferred within Other Governmental Funds for upcoming construction activities related to Building 16 as part of the Civic Center Facilities Master Plan.
- \$37,813 was transferred within the Other Governmental Funds for reimbursement of costs related to the Central Utility Facility (CUF) Infrastructure upgrade.
- \$33,352 was transferred to the General Fund for funding multi-year capital projects, including the Civic Center Facilities Master Plan and Year-Round Emergency Shelter and Multi Service Center.
- \$2,215 was transferred to the General Fund to fund various IT project costs, such as computer hardware and software support services.
- \$1,144 was transferred to the General Fund for the surplus reserves transfer to the County from the 2005 Lease Revenue Refunding Bonds.
- \$1,091 was transferred to the General Fund for debt service payments for the CUF and Co-Generation facilities.

### 9. SHORT-TERM OBLIGATIONS

# Taxable Pension Obligation Bonds, 2016 Series A

On January 13, 2016, the County issued Taxable Pension Obligation Bonds, 2016 Series A (the 2016 POBs) in the principal amount of \$334,275. The 2016 POBs were issued in order to prepay the County's FY 2016-17 pension contribution at a discount. The 2016 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 30, 2017. The obligation of the County to pay principal and interest on the 2016 POBs is imposed by law and is absolute and unconditional. The County repaid in full the outstanding balance of the bonds on June 30, 2017.

# Taxable Pension Obligation Bonds, 2017 Series A

On January 13, 2017, the County issued Taxable Pension Obligation Bonds, 2017 Series A (the 2017 POBs) in the principal amount of \$375,540. The 2017 POBs were issued in order to prepay the County's FY 2017-18 pension contribution at a discount. The 2017 POBs were issued as standard bonds, with five fixed rate tranches, and with a final maturity date of June 29, 2018. The obligation of the County to pay principal and interest on the 2017 POBs is imposed by law and is absolute and unconditional. As of June 30, 2017, the outstanding principal amount of the 2017 POBs reported in the General Fund was \$375,540. Refer to Note 3, Deposits and Investments and Note 17, Retirement Plans for additional information.

	Issuances & Discount/ Balance Premium							Balance	Amounts Due within		
Description	July 1, 2016		An	ortization	Re	etirements	Ju	ne 30, 2017	(	One Year	
County of Orange Taxable Pension Obligation Bonds, 2016 Series A Date Issued: January 13, 2016 Interest Rate: 0.753% to 1.208% Original Amount: \$334,275 Maturing in installments through June 30, 2017	\$	334,275	\$		\$	(334,275)	\$		\$		
County of Orange Taxable Pension Obligation Bonds, 2017 Series A Date Issued: January 13, 2017 Interest Rate: 0.9795% to 1.4809% Original Amount: \$375,540 Maturing in installments through June 29, 2018				375,540				375,540		375,540	
Total	\$	334,275	\$	375,540	\$	(334,275)	\$	375,540	\$	375,540	

#### 10. 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, 2017, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$6,638,152. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIIIA, Section 1 requires the approval of 2/3 of the voters voting on the proposition.

#### **Bankruptcy Obligations**

#### 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, 2017, the outstanding principal amount, including the premium of the Series 2005 Bonds, and remaining interest were \$6,038 and \$135, 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, 2017, the outstanding principal amount, interest accretion, and unaccreted interest of the Refunding COPs were \$811, \$3,876 and \$510, respectively.

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

# 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, 2017, the outstanding principal amount, including the premium of the Series 2006 Bonds, and remaining interest were \$4,396 and \$200, respectively.

# Revenue Bonds Payable and Certificates of Participation (Continued)

### Lease Revenue Bonds, Series 2006 (Continued)

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.

### 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, 2017, the outstanding principal amount, including the premium of the Series 2012 Bonds, and remaining interest were \$11,893 and \$743, 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.

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

On June 2, 2016, the SOCPFA issued its \$56,565 Lease Revenue Bonds, Series 2016 at a premium of \$11,724. The Lease Revenue Bonds, payable through April 2036, were issued to finance the acquisition, construction, and installation of certain capital improvements to be owned by the County and to pay costs relating to the issuance of the bonds. As of June 30, 2017, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were \$66,025 and \$30,925, respectively.

The bonds are special obligations of the SOCPFA payable from and secured by the base rental payments to be made by the County pursuant to and as required under the lease agreement and the amounts held in all funds and accounts (other than the rebate fund) under the indenture.

# 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, 2017, the Series 1996A Pension Obligation Bonds were fully redeemed. The outstanding principal amount, interest accretion, and unaccreted interest of the Series 1997 A Pension Obligation Bonds were \$11,220, \$42,765, and \$9,557, respectively.

# Revenue Bonds Payable and Certificates of Participation (Continued)

# Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the Airport issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of \$233,115, with an original issue net premium of \$288. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds, and pay costs relating to the issuance of the bonds. The AIP consists 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, 2017, the total interest expense incurred and the amount included as part of the cost of capital assets under construction were \$9,541 and \$2,437, respectively. As of June 30, 2017, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were \$58,070 and \$129,248, respectively, and the outstanding interest amounts were \$39,391 and \$47,548, respectively. The 2009B Bonds, in the amount of \$27,210, were called for early partial redemption on July 1, 2017. Refer to Note 20, Subsequent Events for additional information.

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 revenue, and (4) available PFC revenue.

#### 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, 2017, \$8,045 of legally defeased debt remains outstanding.

#### Fiscal Year 2016-17 Debt Obligation Activity

During FY 2016-17, 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, Series B with Wells Fargo Municipal Capital Strategies, LLC and Wells Fargo Bank, National Association, under the Note Purchase and Reimbursement Agreement. The Teeter Plan Notes were authorized for a total amount of \$150,000 and certain delinquent taxes (excluding penalties and interest) were pledged revenues for the Teeter Plan Notes. The rate for the Teeter Plan Notes was based on the weekly Securities Industry and Financial Markets Association (SIFMA) index plus 0.58%. All of the Teeter Plan Notes were issued within three years of February 1, 2013, with a maturity date of January 29, 2016.

On January 29, 2016, the Note Purchase and Reimbursement Agreement was extended upon mutual agreement between Wells Fargo and the County. In addition, the authorized total was revised to not exceed \$100,000, and all other terms and conditions in the Agreement remained unchanged. Teeter Plan Obligation Notes, Series B were issued to retire the old Teeter Notes maturing January 29, 2016. The new Notes have a maturity date of July 31, 2018. The outstanding amount of the Teeter Plan Notes as of June 30, 2016 was \$30,191.

On July 13, 2016, the County issued an additional \$31,536 in Teeter Plan Notes to finance the purchase of the delinquent property tax receivables associated with the Teeter Plan, leaving an outstanding balance of \$61,727. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

# Fiscal Year 2016-17 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

On December 29, 2016 and June 27, 2017, the County used all of the accumulated base taxes to redeem \$24,364 and \$9,495, respectively, of the Teeter Plan Notes. As of June 30, 2017, the outstanding principal amount of the Teeter Plan Notes was \$27,868. For additional information regarding the Teeter Plan Notes, refer to Note 20, Subsequent Events.

# Schedule of Long-Term Debt Obligations, Fiscal Year 2016-17

The table below summarizes the revenue bonds and certificates of participation outstanding and related activity for the year ended June 30, 2017.

Issuances

Description	Balance July 1, 2016	and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2017	Amounts Due within One Year
Governmental Activities:	•				Í	
Orange County Public Financing Authority Lease Revenue Refunding Bonds, Series 2005 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 2016-17 Principal and Interest: \$38,622 FY 2016-17 Total Pledged Revenues: \$6,038 Maturing in installments through July 1, 2017	\$ 46,706	\$ (3,243)	\$	\$ (37,425)	\$ 6,038	\$ 6,038
Orange County Public Facilities Corporation, Refunding Certificates of Participation (Civic Center Parking Facilities Project) 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 2016-17 Principal and Interest: \$2,608 FY 2016-17 Total Pedged Revenues: \$2,405 Maturing in Installments Through December 1, 2018 Interest Accretion on CAB	1,262 5,545	Ξ	 488	(451)	811 3.876	419 2.179
Orange County Public Financing Authority Lease Revenue Bonds, Series 2006 Date Issued: October 19, 2006 Interest Rate: 4.00% to 5.00% Original Amount: \$32,700 FY 2016-17 Principal and Interest: \$4,200 FY 2016-17 Total Pledged Revenues: \$4,151 Maturing in installments through June 1, 2018	8,574	(368)		(2,157)	4,396	4,396
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds - Series 2012 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 2016-17 Principal and Interest: \$5,824 FY 2016-17 Total Pledged Revenues: \$7,920 Maturing in installments through June 1, 2019		(568)		(5,115)	11,893	6,032
South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016 Date Issued: June 2, 2016 Interest Rate: 3.00% to 5.00% Original Amount: \$56,565 FY 2016-17 Principal and Interest: \$4,485 FY 2016-17 Total Pledged Revenues: \$2,545 Maturing in installments through April 1, 2036	68,289	(44)	-	(2,220)	66,025	1,938

# Schedule of Long-Term Debt Obligations, Fiscal Year 2016-17 (Continued)

	Dalamaa	ssuances and Discount/ Premium		Accreted				Balance		mounts ue within
Description	Balance July 1, 2016	nortization		Interest	F	Retirements	Jı	une 30, 2017		one Year
County of Orange Taxable Refunding Pension Obligation Bonds - Series 1996 A: 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) Interest Accretion on CAB	\$ 5,071 19,951	\$ 	\$	 1,033	\$	(5,071) (20,984)	\$		\$	=
County of Orange Taxable Refunding Pension Obligation Bonds - Series 1997 A: Date Issued: January 1, 1997 - Current Interest Rate Bonds (CIB) Date Issued: January 14, 1997 - Capital Appreciation Bonds (CAB) To Refund the Taxable POBs Series 1994 A Interest Rate: CIB - 5.71% to 7.36% Interest Rate: CAB - 7.33% to 7.96% Original Amount: CIB - \$71,605 Original Amount: CIB - \$65,318 Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB) Interest Accretion on CAB	14,069 48,430	 		4,549		(2,849) (10,214)		11,220 42,765		3,003 11,997
County of Orange Teeter Plan Notes Date of Issuance: January 29, 2016 Interest Rate: SIFMA Index + 0.58% Original Amount: \$40,387 FY 2016-17 Principal and Interest: \$34,459 FY 2016-17 Total Pledged Revenues: \$26,078 Maturing on July 31, 2018  Subtotal - Governmental Activities	30,191	31,536 27,313		6,070		(33,859)	=	27,868 174,892		36,002
Business-Type Activities:  Airport Revenue Bonds - Series 2009A and 2009B: Date Issued: July 9, 2009 Interest Rate: 3.00% to 5.75% Original Amount: \$233,115 FY 2016-17 Principal and Interest: \$17,529 FY 2016-17 Total Pledged Revenues: \$54,652 Maturing in Installments Through July 1, 2039	195,127	(279)				(7,530)		187,318		35,090
Subtotal - Business-Type Activities	195,127	(279)	_			(7,530)	_	187,318	_	35,090
Total	\$ 460,791	\$ 27,034	\$	6,070	\$	(131,685)	\$	362,210	\$	71,092

# Schedule of Long-Term Debt Service Requirements to Maturity

The following is a schedule of all long-term debt service requirements to maturity by activity type on an annual basis.

	Governmental Activit			Business-T	Activities		
Fiscal Year(s) Ending June 30	Principal		Interest	Principal		Interest	Total
2018	\$ 20,177	\$	17,663	\$ 35,090	\$	8,844	\$ 81,774
2019	37,961		17,918	8,275		7,683	71,837
2020	4,453		14,533	8,655		7,281	34,922
2021	4,506		15,481	9,085		6,837	35,909
2022	2,678		5,355	9,540		6,369	23,942
2023-2027	12,525		9,915	39,955		26,001	88,396
2028-2032	15,990		6,454	37,600		14,618	74,662
2033-2037	15,909		2,038	23,705		7,885	49,537
2038-2040				17,634		1,421	19,055
Total	 114,199		89,357	189,539		86,939	480,034
Add: Premium/(Discount)	14,052			(2,221)			11,831
Add: Interest Accretion on CAB	46,641						46,641
Total	\$ 174,892	\$	89,357	\$ 187,318	\$	86,939	\$ 538,506

# **Changes in Long-Term Liabilities**

Long-term liability activities, for the year ended June 30, 2017, were as follows:

	Balance July 1, 2016		Additions		ı	Reductions	Balance June 30, 2017		 e within ne Year
Governmental Activities:									
Bonds, COPs and Notes Payable:									
Revenue Bonds	\$	122,870	\$		\$	(48,570)	\$	74,300	\$ 16,755
Certificates of Participation		1,262				(451)		811	419
Pension Obligation Bonds		19,140				(7,920)		11,220	3,003
Teeter Plan Notes		30,191		31,536		(33,859)		27,868	
Add: Premium/(Discount) on Bonds Payable		18,275				(4,223)		14,052	1,649
Total Bonds, COPs, and Notes Payable, Net		191,738		31,536		(95,023)		128,251	21,826
Interest Accretion on CAB		73,926		6,070		(33,355)		46,641	14,176
Other Long-Term Liabilities:									
Compensated Employee Absences Payable		184,948		164,920		(163,262)		186,606	99,957
Arbitrage Rebate Payable		233		153		(21)		365	
Capital Lease Obligations Payable *		67,928				(12,097)		55,831	12,697
Insurance Claims Payable		219,496		109,400		(126,725)		202,171	54,026
SARI Line Loans		28,022				(4,122)		23,900	912
Civic Center Facilities Master Plan Financing				175,340				175,340	
Estimated Liability - Litigation and Claims		130,000		7,400		(25,000)		112,400	57,400
Intangible Assets Obligations Payable		71		1,946		(194)		1,823	194
Total Other Long-Term Liabilities		630,698		459,159		(331,421)		758,436	225,186
Total Long-Term Liabilities **									
For Governmental Activities	\$	896,362	\$	496,765	\$	(459,799)	\$	933,328	\$ 261,188

Includes amount of \$6,900 from an Internal Service Fund. For additional information, refer to Note 12, Leases. The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

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

	-	Balance ly 1, 2016	Additions	F	Reductions	_	Balance ne 30, 2017	 e within ne Year
Business-Type Activities:								
Bonds Payable:								
Revenue Bonds	\$	197,069	\$ 	\$	(7,530)	\$	189,539	\$ 35,090
Less: (Discount) on Bonds Payable		(1,942)	(279)				(2,221)	
Total Bonds Payable, Net		195,127	(279)		(7,530)		187,318	35,090
Other Long-Term Liabilities:								
Compensated Employee Absences Payable		4,793	4,247		(4,379)		4,661	2,362
Landfill Site Closure/Postclosure								
Liabilities *		160,675	3,229		(5,423)		158,481	2,613
Pollution Remediation Obligation **		12,184	5,178		(678)		16,684	570
Intangible Assets Obligations Payable		261	2		(109)		154	110
Total Other Long-Term Liabilities		177,913	12,656		(10,589)		179,980	5,655
Total Long-Term Liabilities ***								
For Business-Type Activities	\$	373,040	\$ 12,377	\$	(18,119)	\$	367,298	\$ 40,745

- \* Refer to Note 13 for additional information regarding the decrease in Landfill Site Closure/Post Closure Liabilities.
- \*\* Refer to Note 16 for additional information regarding the increase in Pollution Remediation Obligation.
- \*\*\* The total long-term liabilities do not include Net Pension Liability. Refer to Note 17 for additional information on the Net Pension Liability.

# **Compensated Employee Absences**

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2017, is \$186,606. 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 of the SARI Line. 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 estimated total project cost of the SARI Line. The loan proceeds were 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 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 \$7,424. Construction of the SARI Mainline was completed on August 17, 2015 and the total amount paid to the contractor was \$38,511. As of June 30, 2017, the total outstanding loan principal was \$23,900.

#### Civic Center Facilities Master Plan Financing

The Facilities Strategic Plan involves the +/- 11 acre County "superblock" (bounded by Ross Street, Civic Center Drive, Broadway and Santa Ana Boulevard), as well as County satellite buildings within the vicinity of the Civic Center. The Facilities Strategic Plan, which contains four phases, was approved by the Board on April 25, 2017. Phase One activity spans from 2016 to 2021 and includes replacement of the existing Building 16 with new facilities, construction of a County conference and events center, demolition of Building 11 (Hall of Finance), and renovation of the H.G. Osborne Building.

On June 22, 2017, the California Municipal Finance Authority (CMFA) issued its \$152,400 Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase One) at a premium of \$22,940, with an interest rate range from 4.00% - 5.00%. As the debt was issued by CMFA, this does not constitute debt for the County of Orange. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling \$175,340 to the Capital Facilities Development Corporation (Corporation), a component unit of the County, to construct Building 16 located at 601 N. Ross Street. A contractor has been selected to construct Building 16 pursuant to a Development Agreement with the Corporation.

The County's payment obligation will commence once the building's Certificate of Substantial Completion is delivered to the trustee. County departments occupying Building 16 will be responsible for making base rental payments. The County's base rental payments under the facility lease are scheduled to begin in FY 2020-21 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to end when the bonds mature in June 2047.

The following is a schedule of the annual debt service requirements to maturity for the Orange County Civic Center Infrastructure Improvement Program – Phase One.

Fiscal Year(s) Ending June 30	Principal		Interest		Total
2018	\$		\$	6,757	\$ 6,757
2019				7,176	7,176
2020				7,176	7,176
2021		2,805		7,176	9,981
2022		2,945 7,036			9,981
2023-2027		17,085 32,817			49,902
2028-2032		21,805 28,096		49,901	
2033-2037		27,825		22,072	49,897
2038-2042		35,510		14,385	49,895
2043-2047	44,425			5,467	 49,892
Total		152,400		138,158	290,558
Add: Premium		22,940			22,940
Total	\$	175,340	\$	138,158	\$ 313,498

#### **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

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

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, 2017, amounted to \$483,277.

#### 11. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

#### Single and Multi-Family Housing Bonds

From 1980 through 2013, the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate income families.

The bonds are secured by the property financed and are payable solely from revenue of the projects and payments received on the underlying mortgage loans.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof are obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2017, there were 19 series of bonds outstanding with an aggregate principal amount payable of \$170,469.

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

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations for FY 2016-17 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, 2017, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interest were \$26,238 and \$3,544, respectively.

The bonds do not constitute a liability of the County. Neither the County, the State of California, nor any political subdivisions thereof are obligated in any manner for the repayment of the bonds. In no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are reported as liabilities in the private-purpose trust fund.

# 12. LEASES

# **Operating Leases**

The County is committed under various operating leases, primarily for office buildings, office equipment and other equipment. The following is a schedule of future minimum payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017:

Fiscal Year Ending June 30	Equipment		Real Property		 Total
2018	\$	2,729	\$	28,319	\$ 31,048
2019		259		25,134	25,393
2020		88		24,735	24,823
2021		32		24,810	24,842
2022		16		20,964	20,980
2023 - 2027				68,097	68,097
2028 - 2032				13,403	13,403
Total	\$	3,124	\$	205,462	\$ 208,586

Total expenditures for equipment rentals and building and improvements incurred for FY 2016-17 was \$54,309.

#### Capital Leases

The following is an analysis of property the County has leased under capital leases, which includes \$27,600 of equipment for an Internal Service Fund:

Land	\$ 14,831
Equipment	27,927
Less: Accumulated Depreciation	(6,102)
Structures and Improvements	64,180
Less: Accumulated Depreciation	 (35,219)
Total	\$ 65,617

The following are the future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30	
2018	\$ 16,139
2019	9,414
2020	9,538
2021	8,601
2022	6,993
2023-2027	 20,034
Total Minimum Lease Payments	 70,719
Less: Amount Representing Interest	 (14,888)
Present Value of Net Minimum	 _
Lease Payments	\$ 55,831

#### 13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require Waste Management to place final covers on its landfill sites when the landfills stop accepting waste and perform certain postclosure maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, Waste Management will report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of the Statement of Net Position date.

Waste Management 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, 2017 was \$158,481. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (31.65% for FRB, 79.97% for Olinda Alpha and 20.69% for Prima Deshecha), less actual costs paid related to both closure and postclosure of the Santiago Canyon and Coyote Canyon landfills. Waste Management will recognize the remaining estimated cost of closure and postclosure care of \$168,040 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016 dollars (using the 2016 inflation factor of 1.013). Waste Management has enough landfill capacity to operate the system for a minimum of 25 years. However, Waste Management intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27 - Environmental Protection of California Code of Regulations, Waste Management makes annual cash contributions as required to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", formula which is adjusted annually by the Cal Recycle provided CPI factor. Also in compliance with regulations, Waste Management has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure maintenance costs. The agreements state that Waste Management pledges revenue from future disposal fees deposited to pay for estimated postclosure maintenance or shall obtain alternative coverage within sixty (60) days if Waste Management ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. Waste Management 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, 2017, a total of \$91,284 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Funds Statement of Net Position as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 16, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

#### 14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

### **Encumbrances**

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. In accordance with GASB Statement No. 54, the County's total significant encumbrances for governmental funds in the aggregate are reported at June 30, 2017, as follows:

General Fund	\$ 48,895
Flood Control District	50,016
Other Public Protection	1,018
Other Governmental Funds	87,751
Total Encumbrances for Governmental Funds	\$ 187,680

#### **Construction Commitments**

At June 30, 2017, 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		gnificant imitments
Governmental Activities:		
General Fund		
Purchase of an Airbus helicopter	\$	4,915
Video Management and System Upgradge		1,559
HCA 17th Street Renovations		1,420
Fig. 10 (18) (1)		7,894
Flood Control District		40.000
San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr		12,002
Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd		9,923
Santa Ana River Interceptor Line Construction		5,925
Santa Ana River Dredging Project PCH to Upstream Adams Ave		2,811
San Joaquin Channel project		1,531
Santa Ana River Parkway Extension		1,499
Osborne-Elevator Controls Replacement		1,072
Other Governmental Funds		34,763
Civic Center Facilities Master Plan		154,618
Edinger Avenue Bridge Replacement Over Bolsa Chica Channel		17,391
La Pata Avenue Gap Closure/Widening, Phase I & II		12,339
Purchase of Law Enforcement and Other Vehicles		7,945
Central Utility Facility Infrastructure Upgrade		6,426
Dana Point Harbor Revitalization		3,483
James A. Musick Facility - Rework Existing Perimeter Fence		2,837
Crawford Canyon Rd Drainage Improvement, Newport Blvd/City of Orange		2,535
Laguna Canyon Road Segment 4, Phase 2 to 4		1,505
Replace Air Handlers at Central Men's Jail, Central Women's Jail and Headquarters		1,503
Juvenile Hall-Gym/Visitation Center		1,295
Crown Valley Parkway and Oso Parkway Slurry Seal project		1,279
Newport Blvd Fiber Optic Installation/17th St Signal Upgrade		1,051
	\$	214,207

# 14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

# **Construction Commitments (Continued)**

Project Title		gnificant nmitments
Business-Type Activities:		
Airport		
Terminal Improvements	\$	42,128
Paularino Gate Improvements project		3,454
Parking Structure C, Phase 2		2,652
Terminal Air Handler Replacement		1,050
		49,284
Waste Management		
Frank R. Bowerman Landfill Soil Buttress and Liner Construction project		19,015
Olinda Front Face Improvement project		13,159
Frank R. Bowerman Crews Quarters and Storage Facility Construction		2,127
		34,301
Total Commitments	\$	340,449

In addition, the County is involved in the Santa Ana River Mainstem Project (SARMP). The SARMP is a major flood control project implemented and funded by the Federal government and three local sponsors – the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project (Project), which is being implemented and funded by the Federal Government and the OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP is to prevent 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 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 \$2,416,500. OCFCD's combined cost share is estimated to be \$786,633 for the entire Santa Ana River Project. As of June 30, 2017, the OCFCD has expended about \$623,162 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 the National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and was 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 was completed in March 2015. As continuation to the ongoing Reach 9 Project, the COE determined that bank improvements needed to continue

# 14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

# **Construction Commitments (Continued)**

east on the south side of the Santa Ana River along SR-91. As such, the Reach 9 Phase 4 Project was developed and the project was awarded on April 13, 2016 at an estimated cost of \$15,300. Completion of the Reach 9, Phase 4 Project is expected to occur in December 2018. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon Road to the railroad (Reach 9 Phase 5A and Phase 5B). Phase 5A was awarded on September 28, 2015 at a cost of \$22,500 and is expected to be completed in August 2018. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of \$25,500 and is expected to be completed in December 2019. 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 in 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 March 2018. As an alternative, the COE 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 and was substantially completed in August 2017. The Women's Prison Dike (to protect the California Institute of Women) was awarded September 2014 for \$12,700 and a \$3,400 modification was awarded in August 2015. This feature was substantially completed April of 2016. The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2017, OCFCD has submitted \$413,543 in claims, and received \$384,893 in reimbursements. An additional \$3,723 in claims is in the process of being prepared for submittal to the DWR.

Of the total amount outstanding, \$1,037 was accrued as revenue, and \$23,506 was reported as deferred inflows of resources at the fund level and recognized as revenue in the government-wide financial statements. Once a claim is reviewed and approved by DWR, 90% of the eligible expenditures can be paid, subject to available funding, with the remaining 10% paid after an audit by the State Controller's Office.

# 15. SELF-INSURANCE

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish ISFs where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention. The Workers' Compensation program ensures that all benefits are properly provided and administers the contract for the third party workers' compensation claims administration. Workers' compensation claims are self-funded up to \$20,000.

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Excess liability insurance provides up to an additional \$100,000 in liability coverage. 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.

#### 15. SELF-INSURANCE (Continued)

All County departments and other governmental agencies authorized by the Board to participate in the Workers' Compensation ISF are charged for their pro rata share of costs based upon employee classification rates, claims experience, and funding for the Workers' Compensation program. All County departments participate in the Property and Casualty Risk self-insurance program and are charged for their pro rata share based upon claims experience, actual number of positions from a biweekly County payroll report, and funding for the Property and Casualty Risk program. The rate calculations for Workers' Compensation and Property and Casualty Risk ISFs are based upon guidelines established by the State Controller's Office for cost plan allocations.

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

The County's Wellwise Choice, Wellwise Retiree, Sharewell Choice, and Sharewell Retiree PPO plans have no lifetime coverage maximums. The dental insurance coverage is up to \$1,500 (absolute dollars) annually for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when the employee returns to work, whichever occurs first. Unemployment benefits covered by law is up to 26 weeks per individual or when the employee returns to work or no longer meets the requirements for the benefit. The self-insured AD&D benefit is for Reserve Deputy Sheriffs only and has a maximum benefit of \$5,000 (absolute dollars).

Changes in the balances of claims liabilities during the past two fiscal years for these self-insurance funds are as follows:

	Norkers'	roperty & Casualty Risk	Uı	nemployment Insurance	Se	alth & Other If- Insured Imployee	Total
Unpaid Claims, Beginning of FY 2015-16	\$ 155,574	\$ 39,291	\$	952	\$	11,760	\$ 207,577
Claims and Changes in Estimates	42,149	16,521		796		60,528	119,994
Claim Payments	(38,033)	(9,792)		(940)		(59,310)	(108,075)
Unpaid Claims, End of FY 2015-16	159,690	46,020		808		12,978	219,496
Claims and Changes in Estimates	30,398	16,157		1,088		61,757	109,400
Claim Payments	(44,454)	 (19,115)		(974)		(62,182)	(126,725)
Unpaid Claims, End of FY 2016-17	\$ 145,634	\$ 43,062	\$	922	\$	12,553	\$ 202,171

#### 16. 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 the Airport and OC Waste and Recycling (Waste Management) for which a pollution remediation liability has been recorded in the County's financial statements. The following describes the nature of the obligating events and the estimated liability as they relate to the Airport and OCWR.

# John Wayne Airport (Airport)

In 1988 and 2006, the Airport was named as the responsible party in a cleanup and abatement order for two sites on Airport property by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, the Airport began monitoring and remediating the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

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

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

The Airport started implementing the new remediation method in the fiscal year ended June 30, 2011. Following a remedial pilot test, the Airport has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2017, the Airport has a liability of \$994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability will not decrease any further until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport 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 Proprietary Funds Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is \$256 as of June 30, 2017.

The estimated pollution remediation obligation as of June 30, 2017 is:

Old Fuel Farm Site	\$ 785
Former Fire Station #33 Site	692
Less: Remediation Activity	 (483)
Airport Pollution Remediation Obligation	\$ 994

#### Orange County Waste and Recycling (Waste Management)

Six closed sites were identified and the remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance as of June 30, 2017, after deducting actual pollution remediation expenses incurred during FY 2016-17, is \$15,690.

<u>Cannery Former Refuse Disposal Station</u> A park owned by the City of Huntington Beach (Huntington Beach), California and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property. The Local Enforcement Agency (LEA) issued a Notice and Order to Huntington Beach, requiring Huntington Beach to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, Huntington Beach and the Huntington Beach City School District (School District) issued the Notices of Intent to Sue under the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. Under an agreement with the County, Huntington Beach and School District claims were tolled until June 2006.

Huntington Beach, the County and School District entered into a Settlement Agreement in 2007 whereby Huntington Beach would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

Orange County Waste and Recycling (Waste Management) (Continued)

Cannery Former Refuse Disposal Station (Continued)

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 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 \$46.

Lane Road Former Refuse Disposal Station The site, located in the City of Irvine, California, and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owners requiring them to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with CEO Risk Management. The County entered into a Settlement Agreement with the property owner in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$285. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$2,207.

<u>San Joaquin Former Refuse Disposal Station</u> 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 United States 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 \$109. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$615.

<u>La Veta Former Refuse Disposal Station</u> Located in the City of Orange (Orange), California, 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 California 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 is warranted.

Orange County Waste and Recycling (Waste Management) (Continued)

La Veta Former Refuse Disposal Station (Continued)

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 and are accrued as estimable at June 30, 2017.

In addition, the findings of site investigations identified the existence of subsurface refuse extending laterally onto a single-family residence located within the lease boundaries of the former La Veta solid waste disposal site and immediately adjacent to land owned by the YMCA (also covering a portion of the former disposal site). Buried waste was discovered under part of the back yard of the residence, which includes a swimming pool. Since then, CalRecycle and the LEA have required continuous methane monitoring at the property. The current owners have not cooperated with the County or regulator attempts to monitor or remediate potential pollution of the property.

The County has executed an acquisition contract for the single-family residence in the amount of \$860. Upon close of escrow, the County will retain responsibility for any required monitoring for the property. Monitoring may be required for up to 25 years. The cost to perform monitoring is anticipated to be \$5 annually.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano (San Juan Capistrano), California was formerly leased and operated as a refuse disposal station by the County from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to San Juan Capistrano approval of the proposed development plan, Advanced Group 99-SJ and the County entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the California Environmental Quality Act approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, establishment of an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. indemnification and environmental releases were provided by the developer to the County. The obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is \$7,500. The entire sum is 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.

<u>Yorba Refuse Disposal Station</u> The site, located in Orange, California, was owned and operated as a solid waste disposal site by the County. After disposal operations ceased, the site was sold to Orange for use as a city park. Park deed restrictions were later lifted from the property at the request of Orange, which then began investigation into some form of commercial application or development at the site. In 2010, the Orange Redevelopment Agency filed suit against Orange. The Complaint alleged various causes of action, including

Orange County Waste and Recycling (Waste Management) (Continued)

Yorba Refuse Disposal Station (Continued)

those for private nuisance, public nuisance, dangerous condition of property and statutory contributions for hazardous substances, and a Porter-Cologne contribution and for Polanco Redevelopment Act cost recovery. The relief sought is for unknown costs and damages. In turn, Orange filed a cross-complaint against the County. The causes of action alleged include indemnity and/or contribution, declaratory relief, hazardous substance account act indemnity and remedies under the Porter-Cologne Act.

Orange and the County entered into negotiations to resolve the issues brought forth by Orange. The negotiations resulted in a settlement agreement and release of claims executed on November 5, 2015. This settlement agreement and release of claims will remedy the differential settlement or subsidence, to replace the irrigation system, and for costs associated with site maintenance with monies paid for by the County. In addition, effective on the date of the agreement, the County assumed responsibility and ownership of the landfill gas control system at the site. In exchange, indemnification has been provided by Orange to the County. Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 30 years, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the system needed upgrades and relocation of critical equipment. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation will be \$172. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$4,462.

The estimated pollution remediation obligation as of June 30, 2017 is:

Cannery	\$ 46
Lane Road	2,207
San Joaquin	615
La Veta	860
Forster	7,500
Yorba	 4,462
Waste Management Pollution Remediation Obligation	\$ 15,690

### 17. RETIREMENT PLANS

# Orange County Employees Retirement System (OCERS)

<u>Plan Description</u>: Substantially all County employees participate in the OCERS, a cost-sharing multiple-employer public employee retirement system established by the voters of Orange County in 1945 pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent defined-benefit retirement plan in which employees of the County, Orange County Superior Court, and employees of certain cities and special districts within the County participate. OCERS is governed by the Board of Retirement (the OCERS Board). Certain attributes of independence of OCERS are guaranteed under the California Constitution. The OCERS Board consists of nine regular members and one alternate. Four OCERS Board members are appointed by the Board, three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is elected by registered voters in the County, serves as an Ex-Officio member.

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS.

# 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 operates as a cost-sharing multi-employer defined benefit pension plan for the County of Orange, Orange County Superior Court of California, City of San Juan Capistrano, and twelve special districts: Orange County Cemetery District, Orange County Children and Families Commission, Orange County Department of Education, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission (LAFCO), Orange County Public Law Library, Orange County Sanitation District, Orange County Transportation Authority, Transportation Corridor Agencies and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation. Capistrano Beach, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control and City of Rancho Santa Margarita are no longer active plan sponsors, but retired members and their beneficiaries, as well as deferred members, remain in the System. OCERS is legally and fiscally independent of the County of Orange

Benefits Provided: OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each County employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. An OCERS member may be eligible for a Disability Retirement allowance. The member will be asked to designate a beneficiary or beneficiaries, who may be entitled to receive lifetime and/or lump sum benefits that may be payable upon a member's death. OCERS also provides two types of disability benefits, a nonservice-connected disability retirement or service-connected disability retirement. Under each type, the eligibility requirements are different. More information can be found on <a href="https://www.ocers.org">www.ocers.org</a>. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board through the collective bargaining process with County employees in accordance with the Retirement Law.

Effective June 28, 2002, Safety members, including Probation Services employees, became eligible for an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 50. Law enforcement management, which includes executives in the Sheriff-Coroner and District Attorney departments, and employees represented by the Association of Orange County Deputy Sheriffs hired after April 9, 2010, receive an annual annuity equal to a retirement benefit formula of 3% of the member's "final compensation" for each year of service rendered at age 55.

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General members who work for the County 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

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

#### Benefits Provided (Continued)

age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component with an employer match.

Non-vested Supplemental Targeted Additional Retiree Cost of Living Adjustment (STAR COLA) benefits are also paid by OCERS to eligible retirees and survivors. Pursuant to Government Code Section 31874.3 of the Retirement Law, the OCERS Board has the sole authority to grant STAR COLA each year. The OCERS Board understands that granting STAR COLA may increase the Unfunded Actuarial Accrued Liability (UAAL) and therefore asks for comments from plan sponsors prior to voting on approval of the annual benefit.

Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 304 retirees (of which 295 are County retirees) who retired before April 1, 1980, and their survivors receive the STAR COLA. The STAR COLA benefits are excluded from the actuarial valuation and are funded annually through current employer contributions. Benefits are considered immaterial to the plan.

<u>Contributions</u>: In accordance with various Board resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. The California Supreme Court's 1997 Ventura decision stated that, for the purpose of calculating pension benefits, "final compensation" means not only base salaries, but also other components. The County employee contributions under current contracts are calculated on base salary, eligible premium pay, and some categories of overtime as defined in the 1997 Ventura decision.

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2016-17, employer's contributions for funding purpose, as a percentage of covered payrolls, were 34.31% for General members, 62.66% for Safety-Law Enforcement members and 47.16% for Safety-Probation members, as determined by the December 31, 2014, actuarial valuation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2017, the County reported a liability of \$4,044,638 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2016, the County's proportion was 77.91%, which was an increase of 1.08% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$442,888. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	 red Outflows of Resources	Deferred Inflows of Resources		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 331,891	\$		
Differences Between Expected and Actual Experience in the Total Pension Liability			441,494	
Changes of Assumptions or Other Inputs Changes in Proportion and Differences Between Employer's	71,482		116,689	
Contributions and Proportionate Share of Contributions	16,592		124	
County Contributions Subsequent to the Measurement Date	218,677			
County Prepaid Pension Contribution	199,902			
Total	\$ 838,544	\$	558,307	

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

\$218,677 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

The County reported the full amount of prepaid pension contribution as a part of the prepaid cost at the fund level. However, due to the difference in the County's fiscal year end date and the net pension liability measurement date, half of the prepaid pension contribution of \$199,902 is recognized as deferred outflows of resources related to pension, and the other half will remain as a prepaid cost on the government-wide statement.

Year ending June 30:	
2018	\$ 16,781
2019	16,781
2020	(27,320)
2021	(106,206)
2022	(38,378)
2023	
Thereafter	

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, 2017, \$125,876 of such proceeds remains in the County Investment Account available for future credits to the County's pension obligations. For the year ended June 30, 2017, the County did not utilize funds available in the County Investment Account to meet its annual required contribution. The County's total contribution to OCERS for the year ended June 30, 2017 was \$405,494.

On January 13, 2017, the County issued its short-term Taxable Pension Obligation Bonds, 2017 Series A in the amount of \$375,540. Of the \$375,540 bond proceeds, \$375,442 was combined with \$24,363 in contributions from certain County departments to prepay the estimated FY 2017-18 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 4.50% discount or \$17,991 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$12,015 to the County. Refer to Note 3, Deposits and Investments, and Note 9, Short-term Obligations, for additional information.

Amounts, provided by OCERS' actuarial study reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

<u>Actuarial Assumptions</u>: The actuarial assumptions included a 3.00% inflation rate, 4.25% to 13.5% projected salary increases to general members and 5.00% to 17.50% to safety members, and a 7.25% investment rate of return, net of investment expense. The mortality assumptions used were based on the results of the actuarial experience study for the period of January 1, 2011 through December 31, 2013 using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020.

<u>Discount Rate</u>: The discount rate used to measure the total pension liability was 7.25%, the long-term expected rate of return on pension plan investments. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates.

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#### 17. RETIREMENT PLANS (Continued)

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

#### Discount Rate (Continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.25% investment return assumption used in this accounting valuation is net of investment expenses. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference is not material to the County's financial statements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage adding expected inflation and deducting expected investment expenses and a risk margin.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	Long-Term Expected
Target Allocation	Real Rate of Return
14.90%	5.92%
2.73%	6.49%
10.88%	6.90%
6.49%	8.34%
10.00%	0.73%
2.00%	0.30%
3.00%	4.00%
10.00%	4.96%
8.00%	4.97%
2.00%	6.76%
7.00%	4.13%
7.00%	4.22%
10.00%	5.86%
6.00%	9.60%
100.00%	
	14.90% 2.73% 10.88% 6.49% 10.00% 2.00% 3.00% 10.00% 8.00% 7.00% 7.00% 10.00% 6.00%

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.25%)	(7.25%)	(8.25%)
County's proportionate share of the net pension liability	\$5,873,896	\$4,044,638	\$2,539,134

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

<u>Pension Plan Fiduciary Net Position</u>: OCERS issues an audited stand-alone annual financial report for each year ending December 31. Detailed information about the pension plan's fiduciary net position is available and can be obtained online at <a href="https://www.ocers.org">www.ocers.org</a>, in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

#### **County Administered Plans**

# **Extra-Help Defined Benefit Plan**

<u>Plan Description</u>: The plan is a cost-sharing multiple-employer defined benefit retirement plan for employees working less than half-time or as extra-help for the County and six (6) other cost-sharing agencies. Eligible employees of this plan are not covered by OCERS or Social Security. Initially, the normal retirement benefits for a participant who retired on or after the normal retirement date was a monthly amount equal to one-twelfth of 2% of the participant's career earnings during the final 30 years of credited service. There are no automatic cost-of-living adjustment (COLA) increases and no ad hoc COLAs have ever been granted. The current benefit for a participant who terminates or retires after November 20, 2008 is a lump sum payment, which is the greater of the actuarial equivalent of the participant's frozen accrued monthly benefit or the participant's contribution plus interest earnings. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65<sup>th</sup> birthday.

The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. The Board has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan. The County is the named fiduciary and has the duty and full power to administer the plan. The Chief Financial Officer of the County is the trustee of the plan and has authority over the management and investment of plan assets.

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, 2017, the plan consists of 52 active plan participants, 194 terminated plan participants entitled to but not yet receiving benefits, and 38 retirees receiving benefits.

The plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized in the period in which contributions are due, pursuant to the plan documentation and as may be required by statutory requirements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan.

The County charges a benefits administration fee to County agencies, which funds the cost of administering all of the County benefit programs, including the Extra-Help Defined Benefit Retirement Plan. The Empower Retirement Investment management fee is an annual asset-based fee of 11 basis points (each basis point is one hundredth of a percent).

Contributions: The County has the authority to determine plan contributions. GASB Statement No. 67 requires the County to have an actuarial valuation performed at least biennially to determine the plan's total pension liability. This valuation is currently performed biennially. The plan's total pension liability was calculated using the data and assets as of July 1, 2015, rolled forward to June 30, 2017 using actual benefit payments for FY 2015-16 and FY 2016-17. In both the 2015 valuation and the 2017 roll forward calculations the actuarial assets are valued at market value. The actuary has determined the County's actuarially determined contribution using the projected unit credit method, which is (a) normal cost, plus (b) 5-year rolling amortization of the UAAL. 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. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, the County and six (6) cost-sharing agencies have contributed \$6,472. For the year ended June 30, 2017, the County and six (6) cost-sharing agencies contributed the total actuarially determined contribution of \$784, which

# **County Administered Plans (Continued)**

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

### Contributions (Continued)

is equal to normal cost plus 5-year amortization of the UAAL. The County's proportionate share of the contribution was \$769.

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.

<u>Investment policy</u>: The County has sole authority for establishing and amending the plan's investment policy and allocation of the invested assets. The plan's policy in regard to the allocation of invested assets may be established and amended by the plan's Trustee. The plan may invest in bonds, mortgages, notes, common or preferred stock, mutual funds, or other securities, policies of life insurance, annuity contracts, or property (real, bank deposits, or retain in cash or other property).

<u>Concentrations</u>: Prior to April 7, 2017, the plan invested 80% with Empower Retirement and held 20% of its investments in the OCIP. As of April 7, 2017, the plan invested 100% with Empower Retirement. The plan has stated its assets with Empower Retirement at fair value based on information provided by Empower Retirement.

<u>Discount Rate</u>: For the year ended June 30, 2017, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 8.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the total pension liability was 5.25%, the same as long-term expected rate of return on plan assets.

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

The long-term expected rate of return on plan investments was determined using a building-block method equal to the expected future real rate of return on the investment with Empower Retirement and the OCIP plus expected inflation, rounded to the nearest 0.25%. Prior to April 7, 2017, the target investment allocation was 27% equities, 53% fixed incomes, and 20% cash and equivalents. With the transfer of the cash allocation from the OCIP to Empower Retirement, the target investment allocation became 33% equities and 67% fixed incomes as of April 7, 2017. The best estimate of the long-term expected geometric real rate of return for equities and fixed incomes (net of investment expense and inflation) are 4.82% and 1.47%, respectively.

<u>Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions</u>: The components of the collective net pension liability of the County and the six (6) cost-sharing agencies at June 30, 2017 were as follows:

Total Pension Liability	\$ 8,562
Plan's Fiduciary Net Position	(6,528)
Plan's Net Pension Liability	\$ 2,034
Dies Fidusies Net Besties es a securit	

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

76.24%

# **County Administered Plans (Continued)**

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions (Continued)

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and rolled forward to the measurement date of June 30, 2017. The County's proportionate share of the June 30, 2017 net pension liability is \$1,995. The County's proportion of 98.1% is based on an employer contribution allocation and has not changed since June 30, 2016.

For the year ended June 30, 2017, the County recognized pension expense of \$152. At June 30, 2017, the County reported deferred inflows of resources of \$17, which represents the aggregated net difference between projected and actual earnings on plan investments.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Net difference between projected and		_		
actual earnings on plan investments	\$		\$	17
Total	\$		\$	17

The deferred outflows and inflows of resources related to this pension plan will be recognized as pension expense for the County as follows:

Year ended June 30:	
2018	\$ 19
2019	19
2020	(11)
2021	(44)

Actuarial Assumptions: The total pension liability based on the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 3% inflation, (b) 5.25% investment return, (c) the 417(e) lump sum mortality table used for ERISA-governed plans and the 30-year Treasury rate with a look-back month of November grading into the long-term assumption of 5.0%, and (d) RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020. This plan does not have a salary increase assumption or post-retirement benefit increase assumption as these factors do not impact the benefits of this frozen plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the collective plan and the County's proportionate share, calculated using the discount rate of 5.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.25%)	(5.25%)	(6.25%)
Collective plan	\$2,274	\$2,034	\$1,841
County's proportionate share	\$2,231	\$1,995	\$1,806

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

### **Extra-Help Defined Contribution Plan**

Plan Description: Effective March 1, 2002, as amended and restated on February 10, 2015, the Board established the Extra-Help Defined Contribution Plan to replace the Extra-Help Defined Benefit Retirement Plan for (a) new employees hired on or after March 1, 2002, and supplements the benefits of the Extra-Help Defined Benefit Retirement Plan for employees hired prior to March 1, 2002 and (b) effective February 10, 2015, employees hired on or after such date (i) who attained age 60 by such hire date, (ii) who waive membership in the OCERS, do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS, (iii) whose employer has signed the OCERS Employer's Concurrence — Waiver of Membership form or any other documents that may be required by OCERS, and (iv) who sign the OCERS Employees' Waiver of Membership form and provide any other documents required by OCERS to waive membership. Eligible employees of this plan are not covered by OCERS or Social Security. This plan is a tax-deferred retirement plan, established in accordance with IRC Sections 457 and 3121 and is intended to comply with the Omnibus Budget Reconciliation Act of 1990 and meet the requirements to be a Social Security replacement plan. The Board has the authority to amend the plan. As of June 30, 2017, there were 4,233 participants with a balance in the plan, with 3,932 participants actively contributing to the plan as of the end of June payroll.

The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return.

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's Section 457 Defined Contribution Plan or leave the balance in the plan until they are no longer employed with the County.

<u>Funding Policy</u>: Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in the County's Stable Value Fund offered through Empower Retirement, which is designed to protect principal and maximize earnings. Empower Retirement serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. In the current fiscal year there was no additional contribution made by the County, and total employee contributions were \$996. As of June 30, 2017, total plan assets were \$7,873.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

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

<u>Plan Description</u>: Effective January 1, 1999, as amended and restated on March 24, 2015, the Board established the County 401(a) Plan for the benefit of eligible employees, elected officials, which includes members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered 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 and all grandfathered administrative managers, effective June 23, 2006 and December 28, 2012, respectively. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2017, the plan had 660 participants with a balance in the plan, and with 640 participants actively contributing to the plan as of the end of June payroll.

#### 17. RETIREMENT PLANS (Continued)

# **County Administered Plans (Continued)**

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

<u>Funding Policy</u>: This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from 4% to 8% of bi-weekly compensation. Total contributions for the fiscal year as of June 30, 2017, were \$970 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to protect principal and maximize earnings. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2017, total plan assets were \$15.503.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

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

<u>Plan Description</u>: On April 20, 2010, the Board approved and adopted the resolution implementing the 1.62% at 65 OCERS retirement formula for certain eligible employees. Effective May 7, 2010, as amended and restated on July 1, 2011, the Board approved the County 1.62% Defined Contribution Plan for the benefit of employees in the "1.62% at 65" OCERS retirement formula. The 1.62% Defined Contribution Plan is a combination governmental 457(b) and 401(a) retirement plan. Employee contributions are deposited into a 457(b) plan and employer-matching contributions are deposited into a 401(a) plan. Participation in the 1.62% Defined Contribution Plan is strictly voluntary and is designed to supplement the "1.62% at 65" OCERS retirement benefit. Only employees in the "1.62% at 65" OCERS retirement benefit formula are eligible to participate in the 1.62% Defined Contribution Plan.

On September 12, 2012, the Governor signed the PEPRA of 2013. PEPRA created a new pension retirement formula, commonly referred to as 2% at 62 retirement formula, for all new non-safety public employees hired on or after January 1, 2013. PEPRA also allowed a public employer to continue to offer another retirement formula, if offered before December 31, 2012, to new public employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the 2% at 62 PEPRA retirement formula. On December 18, 2012, the Board approved and adopted the "1.62% at 65" OCERS retirement formula for certain general (non-safety) public employees hired on or after January 1, 2013.

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. Matching employer contributions are determined by the County and approved by the Board, as stipulated in the Participants' bargaining units Memorandum of Understanding (MOU) or Personnel and Salary Resolution, as applicable. Employer contributions vest on employees' behalf after five years of continuous service with the County. For the purposes of eligibility and vesting, year of service means a 12-consecutive-month period during which the employee completes at least 2080 hours of service, exclusive of overtime. If the employee leaves employment with the County prior to the vesting period, the employee will only be entitled to the employee contributions to the plan.

Funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2017, the plan had 1,446 participants with a balance in the plan, and with 1,355 participants actively contributing to the plan as of the end of June payroll.

#### 17. RETIREMENT PLANS (Continued)

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

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

<u>Funding Policy</u>: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2017, the County provides up to a 2% match per pay period of the employee's voluntary contribution to the IRC Section 457 element of the 1.62% Defined Contribution Plan. Employer contributions are deposited into the 401(a) Plan. Total contributions for the fiscal year as of June 30, 2017, were \$1,211 by the County and zero by the employees.

Empower Retirement, formerly Great West Retirement Services, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the age-appropriate target-date fund upon initial enrollment. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2017, total plan assets were \$2,771.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$100. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period, and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

# **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, 2017:

#### Statement of Fiduciary Net Position

	Total		Extra-Help Extra-Help Defined Defined Benefit Contribution Plan Plan		efined atribution	401(a) Defined Contribution Plan		1.62% at 65 Retirement, 401(a) Defined Contribution Plan		
<u>Assets</u>										_
Pooled Cash/Investments	\$	1	\$		\$		\$		\$	1
Restricted Cash and Investments										
Restricted Investments with Trustee		32,600		6,528		7,854		15,480		2,738
Due from Other Governmental Agencies		74				19		23		32
Total Assets		32,675		6,528		7,873		15,503		2,771
Net Position										
Restricted for Retirement Plans Benefits		32,675		6,528		7,873		15,503		2,771
Total Net Position	\$	32,675	\$	6,528	\$	7,873	\$	15,503	\$	2,771

#### 17. RETIREMENT PLANS (Continued)

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

# **Condensed Financial Statements (Continued)**

#### Statement of Changes in Fiduciary Net Position

Additions:	Total		Extra-Help Defined Conf		Extra-Help Defined Contribution Plan		401(a) Defined Contribution Plan		1.62% at 65 Retirement, 401(a) Defined Contribution Plan	
Contributions to Pension Trust:										
Employer	\$	2,965	\$	784	\$		\$	970	\$	1,211
Employee		996				996				
Interest and Investment Income		2,403		523		150		1,460		270
Less: Investment Expense		(27)		(5)		(8)		(11)		(3)
Total Additions		6,337		1,302		1,138		2,419		1,478
Deductions:										
Benefits Paid to Participants		2,174		373		624		1,177		
Total Deductions	_	2,174		373		624		1,177		
Change in Net Position for Employees' Retirement		4,163		929		514		1,242		1,478
Net Position at July 1, 2016		28,512		5,599		7,359		14,261		1,293
Net Position at June 30, 2017	\$	32,675	\$	6,528	\$	7,873	\$	15,503	\$	2,771

# 18. POSTEMPLOYMENT HEALTH CARE BENEFITS

# **County of Orange Retiree Medical Plan**

<u>Plan Description</u>: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a single employer defined 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 Board. The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the 1937 County Employees' Retirement Law. 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 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 2016 was \$21.45 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$536.25 (absolute dollars). The base number for calendar year 2017 is \$22.09 (absolute dollars) per year of County service, and the maximum monthly Grant is \$552.25 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The 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

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

#### Plan Description (Continued)

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 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.

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.

Employees represented by the Association of County Law Enforcement Managers (ACLEM) 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.

Effective July 8, 2016, all active Orange County Attorneys Association (OCAA) employees are no longer eligible for the Retiree Medical Grant or Lump Sum. A Defined Contribution Plan (HRA) was established to replace the Grant or Lump Sum for all active employees.

<u>Funding Policy</u>: The County implemented an employer contribution in an amount equal to the Annual Required Contribution (ARC) for the affected labor groups except AOCDS and ACLEM. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay

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

#### Funding Policy (Continued)

the Grant. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each year ending on December 31, which includes the Retiree Medical Trust. OCERS' CAFR can be obtained online at <a href="https://www.ocers.org">www.ocers.org</a>, by written request 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 0.4% for AFSCME, 0.4% for OCAA, 3.4% for AOCDS, 7.1% for law enforcement management, 3.9% for the Probation Department safety personnel, and 4.0% of payroll for all other labor groups, which is the ARC for those groups. Additionally, effective July 10, 2015, contributions by employees represented by AOCDS and ACLEM hired before April 4, 2009 were reduced from 2.6% to 1.6% of base, while employees hired on or after April 4, 2009 were reduced from 1% to 0%.

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.

<u>Actuarial Methods and Assumptions</u>: The Plan is calendar year based; therefore, the County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB Statement No. 45. The County received a June 30, 2015 valuation for FY 2015-16 and 2016-17 for the Retiree Medical Plan (Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the June 30, 2008 UAAL over 29 years as a level percentage of payroll (20 years remaining as of June 30, 2017)
- A 7.25% long-term expected rate of return on funds held in the Trusts
- A 3.50% per annum payroll increase assumption
- A 3.00% 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, healthcare trend rates have little impact on the projected benefits and the UAAL due to the 3% (or 5% for AFSCME) cap on Grant annual increases.
- There are an estimated 26,218 participants in the plan of which 17,925 are employees, 25 are deferred retirees, and 8,268 are retirees.

<u>Annual OPEB Cost and Net OPEB Obligation/(Asset)</u>: 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 Asset (NOA) for the current year:

	FY	′ 2016-17
Total Annual Required Contribution	\$	45,921
Interest on Net OPEB Asset		(3,465)
Amortization on Net OPEB Asset		3,666
Annual OPEB Cost		46,122
Contributions Made		(47,853)
Increase in Net OPEB Asset		(1,731)
Net OPEB Asset, Beginning of year		(43,107)
Net OPEB Asset, End of year	\$	(44,838)

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

Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOA for FY 2016-17 and two preceding years were as follows:

Fiscal	Annual	Percentage of		Net
Year	OPEB	Annual OPEB	C	PEB
Ended	Cost	Cost Contributed	(A	Asset)
6/30/2015	\$ 44,854	92%	\$ (4	45,056)
6/30/2016	44,439	96%	(4	13,107)
6/30/2017	46.122	104%	11	14,838)

<u>Funded Status and Funding Progress:</u> The funded status of the OPEB Plan as of June 30, 2015 is as follows:

Actuarial Accrued Liability (AAL)	\$ 614,500
Actuarial Value of Plan Assets	 217,556
Unfunded Actuarial Accrued Liability (UAAL)	\$ 396,944
Funded Ratio (Actuarial Value of Plan Assets/AAL)	35.4%
Covered Payroll	\$ 1,188,727
UAAL as Percentage of Covered Payroll	33.4%

The preceding noted actuarial accrued liability was based on the June 30, 2015 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 are presented in the Required Supplementary Information section following the notes to the basic financial statements.

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

<u>Plan Description</u>: On October 23, 2007, the Board approved and adopted a MOU agreement with the AOCDS. The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan (Health Reimbursement Arrangement) to replace the Retiree Medical Plan for new employees, and to supplement the current employees' frozen service hour accruals for the Grant.

On June 24, 2008, the Board approved the County of Orange Health Reimbursement Arrangement (HRA) Plan Document. The HRA Plan is not required by the Retirement Law. The plan is intended to fund the reimbursement accounts of eligible employees on a pre-tax basis and reimburse the eligible unreimbursed and substantiated gualified medical expenses of retired participants.

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

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan (HRA) for employees represented by OCAA effective July 8, 2016. The HRA will replace the Retiree Medical Plan for all active attorney employees.

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

#### Plan Description (Continued)

Administration of the HRA by the third party administrator began in August 2009. The HRA is intended to comply with the requirements of IRC Sections 105 and 106 and meets the requirements of a health reimbursement arrangement as defined under IRS Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under IRC Section 105(b). The HRA may be amended by the Board or the plan administrator to comply with federal, state, local laws, statutes, regulations, or guidance from regulatory agencies. The Plan Document was amended and restated on January 1, 2011 to reflect changes to the definition of dependent due to healthcare reform.

The Plan Document was amended and restated on June 1, 2016 to provide for the transition of the OCAA to the HRA Plan in July 2016. Prior employee contributions for employees represented by OCAA to the retiree medical program and the interest earnings thereon through, July 5, 2016 were transferred as a lump sum deposit for eligible employees to their HRA accounts.

As of June 30, 2017, the plan had 2,700 active and 632 inactive participants.

<u>Funding Policy</u>: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS, effective June 19, 2009 for employees represented by ACLEM, and effective July 8, 2016 for OCAA represented employees. All contributions made to the HRA are deemed to be employer contributions. Employee contributions for employees represented by each of the bargaining units are mandatory pursuant to their bargaining unit MOU and mandatory pursuant to Board action.

On March 15, 2016, the Board approved for employees represented by AOCDS, an increase in the County's contribution from 3.0% to 5.0% of base salary each pay period. Furthermore, required contributions by employees represented by AOCDS were decreased from 2.0% to 0% of base salary for each pay period. Employee contributions for employees represented by ACLEM and OCAA are mandatory pursuant to the MOU. For employees represented by ACLEM, the County contributes 1.0% of base salary each pay period and employees are also required to contribute 1.0% of base salary each pay period. For employees represented by OCAA, the County contributes 1.0% of base salary each pay period and employees are also be required to contribute 1.0% of base salary each pay period.

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA. Contributions to the HRA Plan default to the age-appropriate target-date fund upon initial enrollment. Once enrolled, HRA participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2017, the value of HRA assets was \$99,081.

Administrative Cost: Annual administrative fees include a plan asset fee of 0.40% and annual account fee of \$80. Each quarter, 25% of the fees are assessed to participant accounts and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

# **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, 2017:

Statement of Fiduciary Net Position		Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)		Health Reimbursemen Arrangement Pla	
Assets	•				_	
Pooled Cash/Investments	\$	296	\$	250	\$	46
Restricted Cash and Investments						
Restricted Investments with Trustee		98,779				98,779
Restricted Cash with OCERS		268,394		268,394		
Interest Receivable		14		14		
Due from Other Governmental Agencies		1,403		1,147		256
Total Assets		368,886		269,805		99,081
Liabilities						
Due to Other Governmental Agencies		2		2		
Total Liabilities		2		2	-	
Net Position						
Restricted for OPEB Benefits		368,884		269,803		99,081
Total Net Position	\$	368,884	\$	269,803	\$	99,081
			Potiroo	Medical Plan		-lealth
Statement of Changes in Fiduciary Net Position				bined 401(h)		bursement
		Total	•	115 Trusts)		ement Plan
Additions:		Total	anu	113 1143(3)	Arrang	ementi ian
Employer Contributions	\$	61,041	\$	47.853	\$	13,188
Employee Contributions	Ψ	2,691	Ψ	2,691	Ψ	10,100
Interest and Investment Income		37,745		27,817		9,928
Less: Investment Expense		(576)		(7)		(569)
Total Additions		100,901		78,354		22,547
Total Faultions		100,501		70,004		22,041
Deductions:						
Benefits Paid to Participants		35,548		33,796		1,752
Administrative Expense		47		47		
Total Deductions		35,595		33,843		1,752
Change in Net Position		65,306		44,511		20,795
Net Position at July 1, 2016		303,578		225,292		78,286
Net Position at June 30, 2017	\$	368,884	\$	269,803	\$	99,081

#### 19. CONTINGENCIES

#### Estimated Liability for Litigation and Claims

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued and at this time an estimate cannot be made. For information regarding claim payments and unpaid claims balance for self-insurance claims, refer to Note 15, Self-Insurance.

# 19. CONTINGENCIES (Continued)

#### Sales and Use Taxes

Department of Finance has not yet finalized its review of the misallocation of sales and use tax revenues identified by the State Controller and the Board of Equalization (BOE) proposed adjustment plan. The In-Home Supportive Services (IHSS) final agreement which includes trailer bills SB 90/AB 106 provides that counties will be held harmless for any amounts they may owe to the state as a result of the BOE sales tax miscalculation.

### 20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2017:

<u>Airport Revenue Bonds, Series 2009B:</u> On July 1, 2017, the Airport partially redeemed the 2009B Bonds scheduled to mature in 2034 in the amount of \$27,210. The early partial redemption will result in total future interest cost savings of \$13,556. Refer to Note 10, Long-Term Obligations, for additional information.

<u>Retirement of Bankruptcy Bonds:</u> On July 1, 2017, the Lease Revenue Refunding Bonds, Series 2005, were retired. For additional information regarding the Lease Revenue Refunding Bonds, Series 2005, refer to Note 10, Long-Term Obligations.

<u>U.S. Treasuries - SLGS:</u> To comply with applicable federal law and the tax certificates associated with the OCPFA Lease Revenue Refunding Bonds Series 2005, the County invests excess available monies over the reasonable working capital reserve in tax-exempt government securities not subject to the Alternative Minimum Tax (AMT). At June 30, 2017, the County reported \$67,557 of non-AMT tax-exempt securities in US Treasuries - SLGS. The Lease Revenue Refunding Bonds Series 2005 were retired on July 1, 2017, and on July 12, 2017, the County converted its tax exempt Teeter Plan Series B Notes to taxable notes. With the conversion to taxable notes, the non-AMT tax-exempt investment of \$67,557 is no longer required, and was liquidated in its entirety on August 10, 2017. The County received \$67,638, including accrued interest, as a result of the liquidation.

<u>Teeter Plan Notes:</u> On July 12, 2017, the County converted its tax exempt Teeter Plan Obligation Notes, Series B to taxable notes to retire the June 30, 2017 outstanding Teeter balance of \$27,868 and finance the purchase of \$30,621 for the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance, associated with the purchase of delinquent property tax receivables, paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The outstanding balance as of July 12, 2017 was \$58,489. For additional information regarding the Teeter Plan Notes, refer to Note 10, Long-Term Obligations.

<u>Labor Organizations:</u> On September 27, 2017, the Association of Orange County Deputy Sheriffs (AOCDS) filed a petition for the decertification of the Orange County Employees Association (OCEA) and the certification of AOCDS as the exclusively recognized employee organization representing the Probation Services (PS) Unit and the Probation Supervisory Management (PM) Unit.

The following classifications are included in the PS and PM Units:

Probation Services (PS) Unit Classifications	Probation Management (PM) Unit Classifications
Deputy Juvenile Correctional Officer I	Supervising Juvenile Correctional Officer
Deputy Juvenile Correctional Officer II	Supervising Probation Officer
Senior Juvenile Correctional Officer	
Deputy Probation Officer I	
Deputy Probation Officer II	
Senior Deputy Probation Officer	

# 20. SUBSEQUENT EVENTS (Continued)

# **Labor Organizations (Continued)**

This modification in representation by AOCDS for the PS and PM Units was effective October 27, 2017. In addition to this petition, AOCDS requested a unit modification to move three bargaining units represented by OCEA into the PS and PM Units.

AOCDS requested the following classifications moved into the PS Unit:

Classification	Previous OCEA Unit
Deputy Coroner	Sheriffs Special Officer and Deputy Coroner (SO)
Senior Deputy Coroner	Sheriffs Special Officer and Deputy Coroner (SO)
Park Ranger I	Supervisory Management (SM)
Park Ranger II	Supervisory Management (SM)
Senior Park Ranger	Supervisory Management (SM)
Public Assistance Investigator Trainee	General (GE)
Public Assistance Investigator	General (GE)

AOCDS requested the following classifications moved into the PM Unit:

Classification	Previous OCEA Unit
Supervising Deputy Coroner	Supervisory Management (SM)
Supervising Park Ranger I	Supervisory Management (SM)
Supervising Public Assistance Investigator	Supervisory Management (SM)

These unit modifications were effective November 24, 2017.

OCERS Economic and Demographic Assumptions: On October 16, 2017, the OCERS Board adopted the following significant changes to the economic and demographic actuarial assumptions, which will be used to establish retirement contribution rates effective July 1, 2019:

- Reduced the assumed investment rate of return from 7.25% to 7.00%
- Reduced the assumed rate of price inflation from 3.00% to 2.75%
- Adopted the use of generational tables, which have identified reduced rates of mortality for members

Additionally, the OCERS Board adopted a three-year phase-in of the impact to the contribution rates associated with the Unfunded Actuarially Accrued Liability. The cumulative effect of these changes will have the impact of increasing contribution rates for members and plan sponsors.

Investment Policy Statement: On November 14, 2017, the Board of Supervisors adopted Resolution 17-134 approving the 2018 Investment Policy Statement (IPS) and delegating investment and deposit for safekeeping authority to the Treasurer-Tax Collector for calendar year 2018. The main changes to the 2018 IPS are: 1) clarification of the ratings required for investment purchases, 2) putting all credit rating requirements in one section, 3) clarification that investments over five years by other governing boards do not need to be approved separately by the Board, (4) updating language to match Government Code Section 56301 and (5) an increase to the State Pool limit based on the State Treasurer's policy increase from \$50 million to \$65 million.







# Required Supplementary Information (Dollar Amounts in Thousands)

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

# Schedule of County's Proportionate Share of the Net Pension Liability (1)

	_	2017	 2016		2015		2014
County's proportion of the net pension liability		77.91%	76.83%		76.68%		74.20%
County's proportionate share of the net pension liability Covered payroll (2) County's proportionate share of the net pension liability	\$ \$	4,044,638 1,200,243	4,391,967 1,118,395	\$ \$	3,897,223 1,198,458	\$ \$	3,925,919 1,176,008
as a percentage of its covered payroll (2)		336.98%	 392.70%		325.19%		333.83%
Plan fiduciary net position as a percentage of the total pension liability		69.56%	65.66%		68.16%		66.88%

# Schedule of County Contributions (1)

	2017	2016	2015
Actuarially determined contribution	\$ 386,138	\$ 358,103	\$ 340,626
Contributions in relation to the actuarially determined contribution	386,138	358,103	340,626
Contribution deficiency (excess)	\$ 	\$ 	\$ 
Covered payroll (2)	\$ 1,200,243	\$ 1,118,395	\$ 1,198,458
Contributions as a percentage of covered - payroll	32.17%	32.02%	28.42%

<sup>(1)</sup> Information is from OCERS' actuary report for OCERS' fiscal year ended December 31, 2016.

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

<sup>(2)</sup> The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

# Orange County Extra-Help Defined Benefit Plan

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

		2017	2016		2015		2014
Total Pension Liability							
Interest	\$	436	\$ 435	\$	271	\$	282
Difference between expected and actual experience			73				
Changes of assumptions			73				
Benefit payments, including refunds of member contributions		(372)	 (424)		(522)		(695)
Net change in Total Pension Liability		64	157		(251)		(413)
Total Pension Liability-beginning	_	8,498	 8,341		8,592		9,005
Total Pension Liability-ending (a)	\$	8,562	\$ 8,498	5	8,341	5	8,592
Plan Fiduciary Net Position							
Contributions-employer	\$	784	\$ 784	\$	421	\$	421
Net investment income		527	123		17		15
Investment Expense		(5)	(4)				
Benefit payments, including refunds of member contributions		(372)	(428)		(522)		(695)
Administrative expense (1)							
Other		(5)	7				
Net change in Plan Fiduciary Net Position		929	482		(84)		(259)
Plan Fiduciary Net Position- beginning		5,599	5,117		5,201		5,460
Plan Fiduciary Net Position-ending (b)	\$	6,528	\$ 5,599	\$	5,117	\$	5,201
Plan Net Pension Liability-ending (a) – (b)	\$	2,034	\$ 2,899	\$	3,224	\$	3,391
Plan Fiduciary Net Position as a percentage of the Total							
Pension Liability		76.24%	65.89%		61.35%		60.53%
Covered payroll (2)	\$	4,725	\$ 1,747	\$	1,829	\$	1,876
Plan Net Pension Liability as a percentage of covered payroll (2)		43.05%	165.94%		176.27%		180.76%

# **Schedule of Investment Returns**

	2017	2016	2015	2014
Actual money-weighted rate of return, net of investment expense	8.51%	2.22%	0.35%	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.

<sup>(1)</sup> Administrative expense does not round up to \$1 in thousands.

<sup>(2)</sup> The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

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

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

	 2017	 2016	 2015
County's proportion of the net pension liability	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability	\$ 1,995	\$ 2,845	\$ 3,163
Covered payroll (1)	\$ 4,725	\$ 1,747	\$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered payroll (1)	 42.22%	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	76.24%	65.89%	61.35%

# **Schedule of Collective Plan Contributions**

	 2017	 2016	 2015	 2014
Actuarially determined contribution  Contributions in relation to the actuarially determined contribution	\$ 784 784	\$ 784 784	\$ 421 421	\$ 421 421
Contribution deficiency (excess)	\$ 	\$ 	\$ 	\$ 
Covered payroll (1)	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	16.59%	44.88%	23.02%	22.44%

# **Schedule of County Contributions**

		2017		2016		2015		2014
Actuarially determined contribution	\$	769	\$	769	\$	413	\$	421
Contributions in relation to the actuarially determined contribution		769		769		413		421
Contribution deficiency (excess)	\$		\$		\$		\$	
Covered payroll (1)	\$	4.725	\$	1.747	\$	1.829	\$	1.876
(1)	Ψ	.,. =0	*	.,	Ψ.	.,020	*	.,
Contributions as a percentage of covered payroll		16.28%		44.02%		22.58%		22.44%

<sup>(1)</sup> The numbers for 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation

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

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

#### **Notes to Schedule**

Valuation date July 1, 2015

Methods and assumptions used to determine contribution

rates:

Actuarial cost method Projected Unit Credit
Amortization method Level dollar, open

Remaining amortization period 5 years
Asset valuation method Market Value
Inflation 3.00%
Salary increases n/a

Investment rate of return 5.25%, net of investment expenses

Retirement age 100% retirement at age 65

Participation assumption 100%

Mortality RP-2000 Combined Healthy Mortality Table

projected with Scale BB to 2020

Actuarial Equivalence for Lump Sums – Mortality 417(e) lump sum table

Actuarial Equivalence for Lump Sums – Interest Rate 30-year Treasury rate with look-back month of November,

current rates grading into 5% long-term assumption

# **Orange County Retiree Medical Plan**

# County of Orange Retiree Medical Plan (2) Schedule of Funding Progress

For Years Ended June 30

Actuarial Valuation as of June 30 (1)	Actuarial Value of lan Assets (a)	Actuarial Unfunded Accrued Actuarial Liability Accrued Liability (AAL) (UAAL) (b) (b-a=c)		Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)	ge ed	
2011 2013 2015	\$ 116,804 155,702 217,556	\$ 528,639 573,763 614,500	\$	411,835 418,061 396,944	22.1% 27.1% 35.4%	\$ 1,273,636 1,217,052 1,188,727	32.3% 34.4% 33.4%	

<sup>(1)</sup> The County's outside actuarial consultant prepares a biennial actuarial valuation in conformance with GASB Statement Nos. 43 and 45.

<sup>(2)</sup> The Plan is calendar year based.







# 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 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.

#### 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 were 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. The residual balances in these funds were distributed in FY 2016-17.

#### 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, Medi-Cal Mental Health Managed Care programs, Medi-Cal Administrative Activities and Targeted Case Management, Bioterrorism Preparedness grant funds, Emergency Medical Services allocations, and other purpose-restricted revenues related to health care programs. Revenues consist primarily of State grants and allocations, and Federal grants passed through the State.

#### Roads

This fund accounts for proceeds restricted for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of State highway users' taxes, Federal funds, and charges for engineering services provided.

#### Orange County Housing Authority

This fund is used to account for revenues received from the Federal Government for Section 8 Rental Assistance Program expenditures. This program assists low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies.

# Other Governmental Resources

This group of funds is used to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

# NONMAJOR GOVERNMENTAL FUNDS (Continued) DEBT SERVICE FUNDS

These funds are used to account for the accumulation and disbursement of taxes and other revenues for the periodic payment of principal and interest on general long-term debt that includes general obligation, revenue, and demand bond issues.

#### Teeter Plan Notes

This fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

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

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

#### Pension Obligation Bonds

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

#### Capital Facilities Development Corporation

This non-budgeted fund was established to account for the Civic Center Facilities Master Plan project and will facilitate financings, acquisitions of property, and other property related transactions for the benefit of Orange County, California.

# South Orange County Public Financing Authority

This non-budgeted fund was established to account for the debt service expenditures for the South Orange County Public Financing Authority (SOCPFA). Included is the Lease Revenue Refunding Bonds, Series 2012, which were issued to redeem the outstanding OCPFA 2012 JJC bonds and pay costs relating to the issuance. On June 2, 2016, SOCPFA issued the Central Utility Facility Lease Revenue Bonds, Series 2016 to finance the acquisition, construction and installation of certain capital improvements.

# Orange County Public Financing Authority

This 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 the multi-year approved capital projects funded primarily with Net County Cost or general purpose revenue.

# Capital Facilities Development Corporation Construction

This non-budgeted fund was established for the Civic Center Facilities Master Plan project and to account for the related construction.

# **PERMANENT FUND**

A Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

# Regional Park Endowment

This fund is used to account for costs associated with the repair and maintenance of a mitigation area in Limestone Regional Park.

# COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

			 	Spe	cial Revenue		
ACCETC	Total Nonmajor Governmental Funds		Parking acilities	Lighting	vice Areas, , Maintenance, ssment Districts	Env	Other ironmental nagement
<u>ASSETS</u>							
Pooled Cash/Investments Restricted Cash and Investments with Trustee Deposits In-Lieu of Cash Receivables	\$	684,314 355,754 25	\$ 5,328  	\$	25,563 64,831 	\$	6,504  
Accounts Taxes Interest/Dividends		2,502 20,297 1,335	45  14		19 63		1  15
Deposits Allowance for Uncollectible Receivables Due from Other Funds		2,148 (96) 37,963	  404		 		  25
Due from Other Governmental Agencies Prepaid Costs Notes Receivable, Net		31,101 14,733 27,572	 345 84 		  		44  255
Total Assets	\$	1,177,648	\$ 6,220	\$	90,476	\$	6,844
LIABILITIES							
Accounts Payable Retainage Payable	\$	26,475 2,785	\$ 237 1	\$	7,926 1	\$	
Salaries and Employee Benefits Payable Interest Payable Deposits from Others		1,917 34 19,223	11  		  		  
Due to Other Funds Due to Component Unit Due to Other Governmental Agencies		60,321 1 11,236	230  366		31  4.423		30  
Unearned Revenue Advances from Other Funds Total Liabilities		21,314 32,640 175,946	   845		12,381		30
DEFERRED INFLOWS OF RESOURCES		· ·			,		
Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Property Taxes		11,015 1,390			 8		
Unavailable Revenue - Long-Term Notes Receivables Unavailable Revenue - Other		255 273	  		 		255
Total Deferred Inflows of Resources	_	12,933	 		8		255
FUND BALANCES							
Nonspendable Restricted Assigned		14,929 804,882 168,958	84 4,545 746		78,087 		2,732 3,827
Total Fund Balances	_	988,769	 5,375		78,087	_	6,559
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$	1,177,648	\$ 6,220	\$	90,476	\$	6,844

Tobacco Welfare Services		Welfare		OC Parks		OC ana Point Harbor	<u>ASSETS</u>
\$ 19,407        19,407	\$	125,056   110  260  3,864 3,170 261 6,420 139,141	\$	108,521   1,032 1,123 246 7  58 297 4,521  115,805	\$	70,682  25 308  158 2,083  126 119  73,501	Pooled Cash/Investments Restricted Cash and Investments with Trustee Deposits In-Lieu of Cash Receivables Accounts Taxes Interest/Dividends Deposits Allowance for Uncollectible Receivables Due from Other Funds Due from Other Governmental Agencies Prepaid Costs Notes Receivable, Net Total Assets
\$ =	\$	5,533 887 26	\$	3,654 578 698	\$	1,690 492 16	LIABILITIES  Accounts Payable Retainage Payable Salaries and Employee Benefits Payable
 7,970		26,421  1,098 1 21,340 55,307	_	1,507 2,399  237 2,119  11,192		3,094 625  108 2  6,027	Deposits from Others Due to Other Funds Due to Other Governmental Agencies Unearned Revenue Advances from Other Funds Total Liabilities
	_	1,240    1,240	_	 894   894	_	    	DEFERRED INFLOWS OF RESOURCES  Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Property Taxes Unavailable Revenue - Long-Term Notes Receivables Unavailable Revenue - Other Total Deferred Inflows of Resources  FUND BALANCES
\$ 11,437  11,437 19,407	\$	261 56,318 26,015 82,594	\$	4,521 87,115 12,083 103,719	\$	119 67,355  67,474 73,501	Nonspendable Restricted Assigned Total Fund Balances Total Liabilities, Deferred Inflows of Resources and Fund Balances

# COMBINING BALANCE SHEET (Continued) NONMAJOR GOVERNMENTAL FUNDS

<u> </u>					Spec	cial Revenue			
100570	<u> </u>	Housing Asset	Co Adm	nedule I ounty - inistered counts		C Public Libraries	Ac	Plan of ljustment lable Cash	ealth Care rograms
<u>ASSETS</u>									
Pooled Cash/Investments Restricted Cash and Investments with Trustee Deposits In-Lieu of Cash Receivables Accounts Taxes Interest/Dividends Deposits Allowance for Uncollectible Receivables Due from Other Funds Due from Other Governmental Agencies	\$	12,781    28  	\$		\$	45,312   322 684 102   26 30	\$	27      17,103	\$ 50,148    42  267 677
Prepaid Costs						4,514			
Notes Receivable, Net Total Assets	\$	18,920 31,729	\$		\$	50,990	\$	17,130	\$ 51,134
<u>LIABILITIES</u>									
Accounts Payable Retainage Payable Salaries and Employee Benefits Payable Interest Payable Deposits from Others Due to Other Funds Due to Component Unit Due to Other Governmental Agencies Unearned Revenue Advances from Other Funds Total Liabilities	\$	   188    188	\$	      	\$	1,041 40 576  444 4,973  6 115  7,195	\$		\$ 7,674 1 4,804 4,705
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Property Taxes Unavailable Revenue - Long-Term Notes Receivables Unavailable Revenue - Other Total Deferred Inflows of Resources		   		   		50 488  263 801		   	    
FUND BALANCES									
Nonspendable Restricted Assigned Total Fund Balances		31,541  31,541		  		4,514 38,480  42,994		17,130  17,130	 21,867 12,083 33,950
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$	31,729	\$		\$	50,990	\$	17,130	\$ 51,134

		Spe	cial Revenue				De	bt Servic	е	
_	Roads	H	nge County Housing Authority	Gov	Other ernmental esources	ental Teeter Pla		Orange County Public Facilities Corporation Bonds, Master Lease		ACCETC
										<u>ASSETS</u>
\$	100,002   163	\$	9,733 6,501  521	\$	1,366   	\$	42,158 34   18,471	\$	 2,943  	Pooled Cash/Investments Restricted Cash and Investments with Trustee Deposits In-Lieu of Cash Receivables Accounts Taxes
	228 58 (23) 2,031		23  (73) 8		2		105  		  	Interest/Dividends Deposits Allowance for Uncollectible Receivables Due from Other Funds
\$	13,881 3,670  120,010	\$	1,123 1,564 1,977 21,377	\$	1,368	\$	11,053   71,821	\$	   2,943	Due from Other Governmental Agencies Prepaid Costs Notes Receivable, Net Total Assets
										<u>LIABILITIES</u>
\$	3,163 430 401  14,177 3,120	\$	898  189   1,920	\$	    	\$	   34 	\$	   	Accounts Payable Retainage payable Salaries and Employee Benefits Payable Interest Payable Deposits from Others Due to Other Funds
	193 14,372  35,856		3,008		  	_	   34		   	Due to Component Unit Due to Other Governmental Agencies Unearned Revenue Advances from Other Funds Total Liabilities
										DEFERRED INFLOWS OF RESOURCES
_	9,725    9,725	_	   	_	   	_	   		   	Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Property Taxes Unavailable Revenue - Long-Term Notes Receivables Unavailable Revenue - Other Total Deferred Inflows of Resources
	3,670		1,564							FUND BALANCES  Nonspendable
	70,759		16,805  18,369		1,368  1,368		18,471 53,316 71,787		2,943  2,943	Restricted Assigned Total Fund Balances
\$	120,010	\$	21,377	\$	1,368	\$	71,821	\$	2,943	Total Liabilities, Deferred Inflows of Resources and Fund Balances

# COMBINING BALANCE SHEET (Continued) NONMAJOR GOVERNMENTAL FUNDS

	Debt Service											
ASSETS	0	Pension bligation Bonds	De	tal Facilities velopment orporation	Publi	outh OC c Financing outhority	Publi	nge County ic Financing Authority				
Pooled Cash/Investments Restricted Cash and Investments with Trustee Deposits In-Lieu of Cash Receivables Accounts Taxes Interest/Dividends Deposits	\$	78 61,390     	\$	21,538    	\$	25,259     	\$	21,787     				
Allowance for Uncollectible Receivables  Due from Other Funds												
Due from Other Governmental Agencies Prepaid Costs Notes Receivable, Net		  		  		  		  				
Total Assets	\$	61,468	\$	21,538	\$	25,259	\$	21,787				
Accounts Payable Retainage payable Salaries and Employee Benefits Payable Interest Payable Deposits from Others Due to Other Funds Due to Component Unit Due to Other Governmental Agencies Unearned Revenue Advances from Other Funds Total Liabilities	\$	8   8 8  	\$	       	\$	   1,972    1,972	\$	       				
DEFERRED INFLOWS OF RESOURCES												
Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Property Taxes Unavailable Revenue - Long-Term Notes Receivables Unavailable Revenue - Other Total Deferred Inflows of Resources		   		   		   		   				
FUND BALANCES												
Nonspendable Restricted Assigned Total Fund Balances		61,460  61,460		21,538  21,538		23,287  23,287		7,465 14,322 21,787				
Total Liabilities, Deferred Inflows of Resources												
and Fund Balances	\$	61,468	\$	21,538	\$	25,259	\$	21,787				

	(	Capital Project	ts		Pe	ermanent			
ninal Justice Facilities	Countywide Capital Projects Non-General Fund		Capital Facilities Development Corporation Construction		Regional Park Endowment		ASSETS.		
\$ 19,744    48  4,600 355  	\$	41,564      9,577   51,141	\$	 151,471       151,471	\$	340   1 1     341	Pooled Cash/Investments Restricted Cash and Investments with Trustee Deposits In-Lieu of Cash Receivables Accounts Taxes Interest/Dividends Deposits Allowance for Uncollectible Receivables Due from Other Funds Due from Other Governmental Agencies Prepaid Costs Notes Receivable, Net Total Assets		
							LIABILITIES		
\$ 429 356   89   11,300 12,174	\$	1,904    2,671    4,575	\$		\$		Accounts Payable Retainage payable Salaries and Employee Benefits Payable Interest Payable Deposits from Others Due to Other Funds Due to Component Unit Due to Other Governmental Agencies Unearned Revenue Advances from Other Funds Total Liabilities		
							DEFERRED INFLOWS OF RESOURCES		
   10 10		   		   		   	Unavailable Revenue - Intergovernmental Revenues Unavailable Revenue - Property Taxes Unavailable Revenue - Long-Term Notes Receivables Unavailable Revenue - Other Total Deferred Inflows of Resources		
							FUND BALANCES		
  12,563 		  46,566		 151,471 		196 145 	Nonspendable Restricted Assigned		
 12,563		46,566		151,471		341	Total Fund Balances  Total Liabilities, Deferred Inflows of Resources		
\$ 24,747	\$	51,141	\$	151,471	\$	341	and Fund Balances		

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

			Special Revenue				
	Tota Nonma Governm Fund	jor ental	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management		
Revenues			_				
Taxes		3,675	\$	\$ 619	\$		
Licenses, Permits, and Franchises		1,844					
Fines, Forfeitures, and Penalties		5,279					
Use of Money and Property	5	3,384	12,269	352	544		
Intergovernmental	35	9,985	1,948	95,203	1,190		
Charges for Services	5	5,641	328	30	550		
Other	3	1,766	27	2	253		
Total Revenues	66	1,574	14,572	96,206	2,537		
Expenditures Current							
General Government	7:	2,413		55,276	93		
Public Protection		840			136		
Public Ways and Facilities	6	6,536	8,635	208	99		
Health and Sanitation		1,561					
Public Assistance		2,655					
Education		2,564					
Recreation and Cultural Services		6,356					
Capital Outlay		5,450	375		385		
Debt Service	10	0,100	0.0		000		
Principal Retirement	Q	0,813					
Interest		8,517					
Total Expenditures		7,705	9.010	55.484	713		
Excess (Deficit) of Revenues		7,705	9,010	33,404	/13		
Over Expenditures	(4	6,131)	5,562	40,722	1,824		
Other Financing Sources (Uses)							
Transfers In	22	4,682	484		25		
Transfers Out		,			25		
Debt Issued	•	6,910) 1,536	(3,774)				
Loan Proceeds		5,340					
Total Other Financing Sources (Uses)		4,648	(3,290)		25		
Net Change in Fund Balances	17	8,517	2,272	40,722	1,849		
Fund Balances - Beginning of Year	21	0,252	3,103	37,365	4,710		
Fund Balances - End of Year		8,769	\$ 5,375	\$ 78,087	\$ 6,559		
runu dalances - Enu or fear	<b>р</b> 98	0,709	φ 5,375	φ /δ,08/	φ 0,559		

\$ \$ \$ 82.265 \$ Taxes 822 247 Licenses, Permits, and Franchises 50 94 Fines, Forfeitures, and Penalties 90 894 11,076 26,277 Use of Money and Property 31,520 948 Intergovernmental 3,509 9,831 957 Charges for Services 3,509 9,831 957 Charges for Services 1,028 998 90 Other 26,685 1,028 998 90 Other 704 General Government 704 Public Protection 704 Public Protection 20,548 Public Protection 20,548 Public Protection 20,548 Public Protection 20,548 Public Protection 19,212 9,419 3,620 Capital Outlary 19,212 9,419 3,620 Capital Outlary 19,212 9,419 3,620 Capital Outlary Interest Total Expenditures 19,212 9,419 3,620 Capital Outlary 19,212 9,419 3,620 Capital Outlary Total Expenditures		obacco ettlement	We	nunity & elfare vices		OC Parks	ı	OC Dana Point Harbor	Revenues
Second	\$		\$		\$	82 265	\$		
Second	Ψ		Ψ	822	Ψ		Ψ		
90								94	
		90							
Charges for Services   Other   Total Revenues								,	. ,
26,885								957	•
Total Revenues   Expenditures   Current		26.685		,		,			· ·
Current									
Current		·							
Separate   Separate									Expenditures
704 Public Protection Public Ways and Facilities Health and Sanitation 20,548 Public Assistance 20,548 Public Assistance Education 84,726 21,630 Recreation and Cultural Services 19,212 9,419 3,620 Capital Outlay Interest Interest Interest Interest Interest Interest Interest Interest Transfers In Transfers In Debt Issued									Current
		8							General Government
				704					Public Protection
20,548									Public Ways and Facilities
Education   Recreation and Cultural Services   Service   Service									Health and Sanitation
				20,548					Public Assistance
19,212 9,419 3,620 Capital Outlay Debt Service Principal Retirement Interest  8 40,464 94,145 25,250 Total Expenditures Excess (Deficit) of Revenues  26,767 (2,691) 11,270 2,168 Over Expenditures  8 13,139 Transfers In (27,848) (27,961) (558) (18) Transfers Out Debt Issued Debt Issued Loan Proceeds (27,840) (14,822) (558) (18) Total Other Financing Sources (Uses)  (1,073) (17,513) 10,712 2,150 Net Change in Fund Balances  12,510 100,107 93,007 65,324 Fund Balances - Beginning of Year									
Debt Service   Principal Retirement   Interest   Service   Principal Retirement   Interest   Service   Principal Retirement   Interest   Service   Principal Retirement   Interest   Interest   Services   Serv									
				19,212		9,419		3,620	Capital Outlay
Total Expenditures   Excess (Deficit) of Revenues									Debt Service
8         40,464         94,145         25,250         Total Expenditures Excess (Deficit) of Revenues Over Expenditures           26,767         (2,691)         11,270         2,168         Over Expenditures           Other Financing Sources (Uses)           8         13,139           Transfers In           (27,848)         (27,961)         (558)         (18)         Transfers Out               Debt Issued              Loan Proceeds           (27,840)         (14,822)         (558)         (18)         Total Other Financing Sources (Uses)           (1,073)         (17,513)         10,712         2,150         Net Change in Fund Balances           12,510         100,107         93,007         65,324         Fund Balances - Beginning of Year									Principal Retirement
Excess (Deficit) of Revenues  Over Expenditures  Other Financing Sources (Uses)  Transfers In  (27,848) (27,961) (558) (18) Transfers Out  Debt Issued  Loan Proceeds  (27,840) (14,822) (558) (18) Total Other Financing Sources (Uses)  (1,073) (17,513) 10,712 2,150 Net Change in Fund Balances  12,510 100,107 93,007 65,324 Fund Balances - Beginning of Year									Interest
26,767         (2,691)         11,270         2,168         Over Expenditures           Other Financing Sources (Uses)           8         13,139           Transfers In           (27,848)         (27,961)         (558)         (18)         Transfers Out               Debt Issued              Loan Proceeds           (27,840)         (14,822)         (558)         (18)         Total Other Financing Sources (Uses)           (1,073)         (17,513)         10,712         2,150         Net Change in Fund Balances           12,510         100,107         93,007         65,324         Fund Balances - Beginning of Year		8		40,464		94,145		25,250	•
Other Financing Sources (Uses)   8									, ,
8       13,139         Transfers In         (27,848)       (27,961)       (558)       (18)       Transfers Out             Debt Issued         Loan Proceeds       Loan Proceeds         (27,840)       (14,822)       (558)       (18)       Total Other Financing Sources (Uses)         (1,073)       (17,513)       10,712       2,150       Net Change in Fund Balances         12,510       100,107       93,007       65,324       Fund Balances - Beginning of Year		26,767		(2,691)		11,270		2,168	Over Expenditures
(27,848)       (27,961)       (558)       (18)       Transfers Out             Debt Issued         Loan Proceeds       Loan Proceeds         (27,840)       (14,822)       (558)       (18)       Total Other Financing Sources (Uses)         (1,073)       (17,513)       10,712       2,150       Net Change in Fund Balances         12,510       100,107       93,007       65,324       Fund Balances - Beginning of Year									Other Financing Sources (Uses)
		8		13,139					Transfers In
Loan Proceeds           (27,840)         (14,822)         (558)         (18)         Total Other Financing Sources (Uses)           (1,073)         (17,513)         10,712         2,150         Net Change in Fund Balances           12,510         100,107         93,007         65,324         Fund Balances - Beginning of Year		(27,848)		(27,961)		(558)		(18)	Transfers Out
(27,840)         (14,822)         (558)         (18)         Total Other Financing Sources (Uses)           (1,073)         (17,513)         10,712         2,150         Net Change in Fund Balances           12,510         100,107         93,007         65,324         Fund Balances - Beginning of Year									Debt Issued
(1,073)       (17,513)       10,712       2,150       Net Change in Fund Balances         12,510       100,107       93,007       65,324       Fund Balances - Beginning of Year									
12,510 100,107 93,007 65,324 Fund Balances - Beginning of Year		(27,840)		(14,822)		(558)		(18)	Total Other Financing Sources (Uses)
		(1,073)		(17,513)		10,712		2,150	Net Change in Fund Balances
		12,510		100,107		93,007		65,324	Fund Balances - Beginning of Year
	\$	11,437	\$	82,594	\$	103,719	\$	67,474	Fund Balances - End of Year

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

Special Revenue

	Housing Asset	А	Schedule I County - dministered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
Revenues		•			•	
Taxes	\$	\$		\$ 50,791	\$	\$
Licenses, Permits, and Franchises				3		
Fines, Forfeitures, and Penalties				7		7,627
Use of Money and Property	22			231	15	331
Intergovernmental				372		5,910
Charges for Services				1,084		1,271
Other		78		571		61
Total Revenues	30	06		53,059	15	15,200
Expenditures						
Current						
General Government			15		13,592	
Public Protection			<u></u>			<del></del>
Public Ways and Facilities						
Health and Sanitation						1,561
Public Assistance	69	95				
Education	-			42,564		
Recreation and Cultural Services						
Capital Outlay				1,690		
Debt Service				,		
Principal Retirement				13		<del></del>
Interest						<del></del>
Total Expenditures	69	95	15	44,267	13,592	1,561
Excess (Deficit) of Revenues	-					
Over Expenditures	(38	39)	(15)	8,792	(13,577)	13,639
Other Financing Sources (Uses)						
Transfers In	6	32			17,103	374
Transfers Out						(14,001)
Debt Issued						
Loan Proceeds						
Total Other Financing Sources (Uses)	-	32			17,103	(13,627)
Net Change in Fund Balances	(32	27)	(15)	8,792	3,526	12
Fund Balances - Beginning of Year	31,86	88	15	34,202	13,604	33,938
Fund Balances - End of Year	\$ 31,54	¥1 \$		\$ 42,994	\$ 17,130	\$ 33,950

Notes   Corange County Housing Roads   Corange County Housing Authority   Corange County Housing Authority   Corporation Bonds, Master Lease   Revenues	
\$ \$ \$ \$ \$ \$ Licenses, Permits, and Franchises  772 14,450 Fines, Forfeitures, and Penalties  253 101 7 162 Use of Money and Property  60,669 162,225 Intergovernmental  37,936 10 135 Charges for Services	Roads
772           Licenses, Permits, and Franchises         3         14,450        Fines, Forfeitures, and Penalties         253       101       7       162        Use of Money and Property         60,669       162,225          Intergovernmental         37,936       10       135         Charges for Services	<b>\$</b>
3 14,450 Fines, Forfeitures, and Penalties 253 101 7 162 Use of Money and Property 60,669 162,225 Intergovernmental 37,936 10 135 Charges for Services	
253 101 7 162 Use of Money and Property 60,669 162,225 Intergovernmental 37,936 10 135 Charges for Services	
60,669 162,225 Intergovernmental 37,936 10 135 Charges for Services	
37,936 10 135 Charges for Services	
·	,
100,818 163,002 182 14,612 Total Revenues	
Expenditures Current	
6 154 8 General Government	
Public Protection	
57,594 Public Ways and Facilities	57 594
Health and Sanitation	
161,412 Public Assistance	
Education	
Recreation and Cultural Services	
19,615 19 Capital Outlay	19,615
Debt Service	
33,859 451 Principal Retirement	
600 2,157 Interest	
77,209 161,431 6 34,613 2,616 Total Expenditures	77,209
Excess (Deficit) of Revenues	
23,609 1,571 176 (20,001) (2,616) Over Expenditures	23,609
Other Financing Sources (Uses)	
11,620 2,405 Transfers In	
(273) (76) (3) Transfers Out	(273)
31,536 Debt Issued	
Loan Proceeds	
(273) (76) (3) 43,156 2,405 Total Other Financing Sources (Uses	(273)
23,336 1,495 173 23,155 (211) Net Change in Fund Balances	23,336
51,093 16,874 1,195 48,632 3,154 Fund Balances - Beginning of Year	
\$ 74,429 \$ 18,369 \$ 1,368 \$ 71,787 \$ 2,943 Fund Balances - End of Year	\$ 74,429

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

		Debt	Service	
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
Revenues	•			
Taxes	\$	\$	\$	\$
Licenses, Permits, and Franchises				
Fines, Forfeitures, and Penalties				
Use of Money and Property	19		174	134
Intergovernmental				
Charges for Services				
Other				
Total Revenues	19		174	134
Expenditures Current				
General Government	38	1,313		
Public Protection				
Public Ways and Facilities				
Health and Sanitation				
Public Assistance				
Education				
Recreation and Cultural Services			<del></del>	<del></del>
Capital Outlay				
Debt Service				
Principal Retirement	7,920		7,335	41,235
Interest	31,199		2,974	1,587
Total Expenditures	39,157	1,313	10,309	42,822
Excess (Deficit) of Revenues	00,101	1,010	10,000	72,022
Over Expenditures	(39,138)	(1,313)	(10,135)	(42,688)
Other Financing Sources (Uses)				
Transfers In			10,291	10,055
Transfers Out		(152,489)	(37,813)	(1,144)
Debt Issued				
Loan Proceeds		175,340		
Total Other Financing Sources (Uses)		22,851	(27,522)	8,911
Net Change in Fund Balances	(39,138)	21,538	(37,657)	(33,777)
Fund Balances - Beginning of Year	100,598		60,944	55,564
Fund Balances - End of Year	\$ 61,460	\$ 21,538	\$ 23,287	\$ 21,787

		Capital Projects		Permanent	
	inal Justice acilities	Countywide Capital Projects Non- General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
\$		\$	\$	\$	Revenues Taxes
Ψ		Ψ 	Ψ 	Ψ	Licenses, Permits, and Franchises
	3,048				Fines, Forfeitures, and Penalties
	91	135		1	Use of Money and Property
				· 	Intergovernmental
				<del></del>	Charges for Services
	73	6		3	Other
	3,212	141		4	Total Revenues
	5,212		. —		Total Nevertues
					Expenditures
					Current
		1,528	382		General Government
					Public Protection
					Public Ways and Facilities
					Health and Sanitation
					Public Assistance
					Education
					Recreation and Cultural Services
	14,175	36,304	636		Capital Outlay
					Debt Service
					Principal Retirement
					Interest
	14,175	37,832	1,018		Total Expenditures
					Excess (Deficit) of Revenues
	(10,963)	(37,691)	(1,018)	4	Over Expenditures
					Other Financing Sources (Uses)
	16,699	89,928	152,489		Transfers In
	(3,668)	(37,284)			Transfers Out
					Debt Issued
					Loan Proceeds
	13,031	52,644	152,489		Total Other Financing Sources (Uses)
	2,068	14,953	151,471	4	Net Change in Fund Balances
	10,495	31,613		337	Fund Balances - Beginning of Year
\$	12,563	\$ 46,566	\$ 151,471	\$ 341	Fund Balances - End of Year

	* Oriç	ginal Budget	_	Final Budget	Bı	Actual on udgetary Basis		Variance Positive Negative)
Parking Facilities								
Revenues and Other Financing Sources	•	0.050	•	0.050	•	5.040	•	(444)
Use of Money and Property Charges for Services	\$	6,353 274	\$	6,353 274	\$	5,942 328	\$	(411) 54
Other		6		6		27		21
Transfers In				484		484		
Total Revenues and Other Financing Sources		6,633		7,117		6,781		(336)
Expenditures and Other Financing Uses Public Ways and Facilities:								
Parking Facilities		7,756		7,954		6,876		1,078
Total Expenditures and Other Financing Uses	-	7,756		7,954		6,876		1,078
Excess (Deficit) of Revenues and Other Financing	_							
Sources Over Expenditures and Other Financing Uses		(1,123)		(837)		(95)	\$	742
Find Delenge Designing of Vers		007		007		007		
Fund Balances - Beginning of Year Fund Balances - End of Year	\$	(286)	\$	837	\$	837 742		
Turid Balarices - End of Teal	Ψ	(200)	Ψ		Ψ	142		
<u>Service Area, Lighting, Maintenance, and Assessment Districts</u> Revenues and Other Financing Sources								
Taxes	\$	607	\$	607	\$	619	\$	12
Use of Money and Property		68		213		549		336
Intergovernmental		4		4		4		
Charges for Services Other		29 150		29 150		30 2		1 (148)
Premiums on Bonds Issued		150		150		10,142		10.142
Bond Issuance Proceeds				101,819		85,057		(16,762)
Total Revenues and Other Financing Sources		858	_	102,822		96,403		(6,419)
Expenditures and Other Financing Uses General Government:		56		50				50
Special Assessment-Top of the World Improvement CFD 2015-1 RMV (Village of Esencia) Construction		19,102		56 32,438		4,431		56 28,007
CFD 2016-1 RMV (Village of Esencia) Construction		13, 102		101,819		35,008		66,811
Public Ways and Facilities:				,		,		,
North Tustin Landscaping and Lighting Assessment District		3,700		3,700		162		3,538
County Service Area No. 13- La Mirada		10		10		9		1
County Service Area No. 20- La Habra		10		10				10
County Service Area No. 22- East Yorba Linda Total Expenditures and Other Financing Uses	-	23,002		124 138,157		37 39,647	-	98,510
Excess (Deficit) of Revenues and Other Financing		23,002		130,137		39,047		30,310
Sources Over Expenditures and Other Financing Uses		(22,144)		(35,335)		56,756	\$	92,091
Fund Balances - Beginning of Year		37,209	_	37,209		37,209		
Fund Balances - End of Year	\$	15,065	\$	1,874	\$	93,965		
Other Environmental Management Revenues and Other Financing Sources								
Use of Money and Property	\$	401	\$	401	\$	569	\$	168
Intergovernmental		495		495		1,190		695
Charges for Services Other		75 166		75 166		550 253		475 87
Transfers In				25		25		
Total Revenues and Other Financing Sources		1,137	_	1,162		2,587		1,425
Expenditures and Other Financing Uses General Government:								
Real Estate Development Program		1,767		1,792		54		1,738
Air Quality Improvement		744		744		424		320
Public Protection:		05-		05-		46-		200
Survey Monument Preservation		357		357		135		222
Public Ways and Facilities: El Toro Improvement Fund		1,136		1,136		99		1,037
Total Expenditures and Other Financing Uses		4,004	_	4,029		712		3,317
Excess (Deficit) of Revenues and Other Financing	-	.,	_	.,				-,
Sources Over Expenditures and Other Financing Uses		(2,867)		(2,867)		1,875	\$	4,742
Fund Polonoco Poginning of Voc-		4.000		4.000		4.000		
Fund Balances - Beginning of Year Fund Balances - End of Year	•	4,696 1,829	\$	4,696 1,829	\$	4,696 6,571		
i unu Daidilles - Eliu VI Teal	\$	1,029	ф	1,029	φ	0,571		

<sup>\*</sup> Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

	* Ori	ginal Budget		Final Budget	Actual on Budgetary Basis		Variance Positive (Negative)
Tobacco Settlement							
Revenues and Other Financing Sources	•	00.000	•	05.050	<b>*</b> 00.005	•	4 000
Other Total Revenues and Other Financing Sources	\$	26,299 26,299	\$	25,659 25,659	\$ 26,685 26,685	\$	1,026 1,026
Ç	-	20,200	_	20,000			1,020
Expenditures and Other Financing Uses General Government:							
Orange County Tobacco Settlement Fund		36,120		38,120	27,721		10,399
Total Expenditures and Other Financing Uses		36,120	_	38,120	27,721		10,399
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(9,821)		(12,461)	(1,036)	\$	11,425
Fund Balances - Beginning of Year		12,461		12,461	12,461	_	
Fund Balances - End of Year	\$	2,640	\$		\$ 11,425	=	
Community and Welfare Services							
Revenues and Other Financing Sources							
Licenses, Permits, and Franchises	\$	900	\$	900	\$ 822	\$	(78)
Use of Money and Property		1,088		1,088	1,386		298
Intergovernmental		42,783		45,783	31,725		(14,058)
Charges for Services Other		6,341 479		3,341 479	3,503 1,028		162 549
Transfers In		37,146		37,156	34,478		(2,678)
Total Revenues and Other Financing Sources		88,737	-	88,747	72,942	-	(15,805)
	-	00,101	_	50,111			(10,000)
Expenditures and Other Financing Uses Public Assistance:							
MHSA Housing Fund		1,001		1,001	17		984
OC Animal Care Center Donations		100		123	101		22
Dispute Resolution Program		888		851	572		279
Domestic Violence Program		974		995	765		230
Facilities Development and Maintenance		7,386		7,386	327		7,059
Workforce Investment Act		22,801		22,182	11,521		10,661
County Executive Office- Single Family Housing		951		951	3		948
OC Housing		10,307		10,903	6,074		4,829
Strategic Priority Affordable Housing		448		540	112		428
In-Home Support Services Public Authority SSA Donations and Fees		2,480 1,466		2,480 1,466	1,775 960		705 506
SSA Wraparound		25,867		31,866	25,625		6,241
CalHome Program Reuse Fund		1,084		1,270	25,025		1,261
OC Animal Shelter Fund		25,235		27,151	20,035		7,116
Santa Ana Regional Center Lease Conveyance		619		619	618		1
Total Expenditures and Other Financing Uses		101,607		109,784	68,514		41,270
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(12,870)		(21,037)	4,428	\$	25,465
Find Palances - Paginging of Vaca		100.915		400.045	100.015		
Fund Balances - Beginning of Year Fund Balances - End of Year	\$	88,045	\$	100,915 79,878	100,915 \$ 105,343	-	
		,	_	·	· · · · · · · · · · · · · · · · · · ·	=	
OC Parks Revenues and Other Financing Sources							
Taxes	\$	78,939	\$	78,939	\$ 82,102	\$	3,163
Licenses, Permits, and Franchises	Ψ	210	Ψ	210	247	Ψ	37
Fines, Forfeitures, and Penalties		34		34	50		16
Use of Money and Property		10,056		10,056	11,269		1,213
Intergovernmental		5,941		5,941	948		(4,993)
Charges for Services		8,598		8,598	9,830		1,232
Other		1,376		1,376	833		(543)
Transfers In		11,746		11,746	11,746		
Total Revenues and Other Financing Sources		116,900	_	116,900	117,025		125
Expenditures and Other Financing Uses							
Recreation and Cultural Services: County Tidelands - Newport Bay		6,591		6,591	4,472		2,119
OC Parks		109,123		110,123	91,775		18,348
OC Capital		31,018		34,096	10,373		23,723
Total Expenditures and Other Financing Uses	-	146,732		150,810	106,620		44,190
Excess (Deficit) of Revenues and Other Financing			_	.,		_	
Sources Over Expenditures and Other Financing Uses		(29,832)		(33,910)	10,405	\$	44,315
Fund Balances - Beginning of Year		91,957	_	91,957	91,957	_	
Fund Balances - End of Year	\$	62,125	\$	58,047	\$ 102,362	-	

	* Orig	inal Budget	_	Final Budget		tual on etary Basis		/ariance Positive Negative)
OC Dana Point Harbor								
Revenues and Other Financing Sources								
Licenses, Permits, and Franchises	\$	10	\$	10	\$		\$	(10)
Fines, Forfeitures and Penalties		127		127		94		(33)
Use of Money and Property		25,178		25,178		26,593		1,415
Charges for Services		946		946		957		11
Other		41		41		89		48
Total Revenues and Other Financing Sources		26,302		26,302		27,733		1,431
Expenditures and Other Financing Uses								
Recreation and Cultural Services:								
OC Dana Point Harbor		45,815		45,261		25,144		20,117
Total Expenditures and Other Financing Uses		45,815		45,261		25,144		20,117
Excess (Deficit) of Revenues and Other Financing								
Sources Over Expenditures and Other Financing Uses		(19,513)		(18,959)		2,589	\$	21,548
Fund Balances - Beginning of Year		65,133		65,133		65,133		
Fund Balances - End of Year	\$	45,620	\$	46,174	\$	67,722		
Housing Asset								
Revenues and Other Financing Sources								
Use of Money and Property	\$	226	\$	226	\$	279	\$	53
Transfers In				62		62		
Total Revenues and Other Financing Sources		226		288		341		53
Expenditures and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Housing Asset		11,992		12,824		695		12,129
Total Expenditures and Other Financing Uses	-	11,992		12.824		695		12,129
Excess (Deficit) of Revenues and Other Financing		,		, ,				,
Sources Over Expenditures and Other Financing Uses		(11,766)		(12,536)		(354)	\$	12,182
Fund Balances - Beginning of Year		31,918		31,918		31,918		
Fund Balances - End of Year	\$	20,152	\$	19,382	\$	31,564		
	<u>*</u>	20,102	<u> </u>	10,002		0.,00.		
Schedule I County-Administered Accounts Revenues and Other Financing Sources								
Other	\$		2	1	\$		\$	(1)
Total Revenues and Other Financing Sources	Ψ		Ψ	1	Ψ		Ψ	(1)
Expenditures and Other Financing Uses								
General Government:								
Indemnification Reserve				4		3		1
Litigation Reserve				12		12		
Total Expenditures and Other Financing Uses			-	16		15		1
Excess (Deficit) of Revenues and Other Financing	-		-	10				<u>-</u>
Sources Over Expenditures and Other Financing Uses				(15)		(15)	\$	
Find Polances - Posinning of Veer		45		45		45		
Fund Balances - Beginning of Year		15	_	15		15		
Fund Balances - End of Year	\$	15	\$		\$			

<sup>\*</sup> Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

	* Orig	inal Budget		Final Budget		ctual on etary Basis	1	/ariance Positive legative)
OC Public Libraries								
Revenues and Other Financing Sources								
Taxes	\$	44,725	\$	44,725	\$	50,671	\$	5,946
Licenses, Permits, and Franchises						3		3
Fines, Forfeitures, and Penalties		19		19		7		(12)
Use of Money and Property		246		246		409		163
Intergovernmental		560		560		372		(188)
Charges for Services		1,042		1,042		1,084		42
Other		551		551		572		21
Transfers In				4,500		4,500		
Total Revenues and Other Financing Sources		47,143		51,643		57,618		5,975
Expenditures and Other Financing Uses Education:								
OC Public Libraries - Capital		1,943		7,652		1,249		6,403
OC Public Libraries		56,317		61,297		47,119		14,178
Total Expenditures and Other Financing Uses		58,260		68,949		48,368		20,581
Excess (Deficit) of Revenues and Other Financing								
Sources Over Expenditures and Other Financing Uses		(11,117)		(17,306)		9,250	\$	26,556
Fund Palances - Paginning of Voor		22 700		22 700		33.788		
Fund Balances - Beginning of Year Fund Balances - End of Year	\$	33,788 22,671	\$	33,788 16,482	\$	43,038		
Fullu Balances - Enu or Teal	φ	22,071	Ψ	10,462	<u> </u>	43,036		
Plan of Adjustment Available Cash Revenues and Other Financing Sources								
Use of Money and Property	\$	25	\$	25	\$	22	\$	(3)
Transfers In		5,384		17,103		17,104		1_
Total Revenues and Other Financing Sources		5,409		17,128		17,126		(2)
Expenditures and Other Financing Sources General Government:								
Recovery Plan of Adjustment Available Cash		12,314		25,324		13,593		11,731
Total Expenditures and Other Financing Uses		12,314		25,324		13,593		11,731
Excess (Deficit) of Revenues and Other Financing								
Sources Over Expenditures and Other Financing Uses		(6,905)		(8,196)		3,533	\$	11,729
Fund Balances - Beginning of Year		13,597		13,597		13,597		
Fund Balances - End of Year	\$	6,692	\$	5,401	\$	17,130		
Tana Balanoos End of Todi	<u> </u>	0,002	Ψ	0,101		17,100		
Health Care Programs								
Revenues and Other Financing Sources								
Fines, Forfeitures, and Penalties	\$	8,765	\$	8,765	\$	7,627	\$	(1,138)
Use of Money and Property		124		124		221		97
Intergovernmental		5,977		7,177		6,786		(391)
Charges for Services		1,344		1,344		1,271		(73)
Other		255		255		61		(194)
Transfers In		400		400		359		(41)
Total Revenues and Other Financing Sources		16,865	_	18,065		16,325		(1,740)
Expenditures and Other Financing Uses Health and Sanitation:								
Medi-Cal Administrative Activities Targeted Case Management		1,733		1,933		1,675		258
Emergency Medical Services		8,664		8,664		7,537		1,127
HCA Purpose Restricted Revenues		2,466		2,466		1,081		1,127
HCA Interest Bearing Purpose Restricted Revenues		30		30		24		1,365
Bioterrorism Center for Disease Control		4,348		5,348		5,000		348
Total Expenditures and Other Financing Uses		17,241	-	18,441		15,317		3,124
Excess (Deficit) of Revenues and Other Financing		11,441		10,741		10,017		5,124
Sources Over Expenditures and Other Financing Uses		(376)		(376)		1,008	\$	1,384
Fund Balances - Beginning of Year		33,857		33,857		33,857		
Fund Balances - End of Year	\$	33,481	\$	33,481	\$	34,865		
			· <del>-</del>	00,101		3.,000		

	* Oriç	ginal Budget	_	Final Budget	E	Actual on Budgetary Basis		Variance Positive (Negative)
Roads								
Revenues and Other Financing Sources								
Licenses, Permits, and Franchises	\$	606	\$	606	\$	772	\$	166
Fines, Forfeitures, and Penalties		7		7		5		(2)
Use of Money and Property		490		490		658		168
Intergovernmental		68,306		68,598		60,533		(8,065)
Charges for Services		34,574		34,574		38,072		3,498
Other		41,088		45,560		1,339		(44,221)
Total Revenues and Other Financing Sources		145,071		149,835		101,379		(48,456)
Expenditures and Other Financing Uses Public Ways and Facilities:								
OC Road		145,499		145,790		76,976		68,814
Foothill Circulation Phasing Plan		1,026		1,245		373		872
South County Roadway Improve Prog (SCRIP)		34.323		34.323				34.323
Total Expenditures and Other Financing Uses		180,848	_	181,358	-	77,349		104,009
Excess (Deficit) of Revenues and Other Financing		100,040	-	101,000	-	11,543		104,009
Sources Over Expenditures and Other Financing Uses		(35,777)		(31,523)		24,030	\$	55,553
Fund Balances - Beginning of Year		52,027		52,027		52,027		
Fund Balances - End of Year	\$	16,250	\$	20,504	\$	76,057		
	<u> </u>	11,211	: <u> </u>		Ť			
Orange County Housing Authority								
Revenues and Other Financing Sources								
Use of Money and Property	\$	88	\$	88	\$	150	\$	62
Intergovernmental		163,573		164,466		162,225		(2,241)
Charges for Services		5		5		10		5
Other		1,141		1,020		666		(354)
Total Revenues and Other Financing Sources		164,807	_	165,579		163,051	_	(2,528)
Expenditures and Other Financing Uses								
Public Assistance:								
Orange County Housing Authority-Operating Reserve		5,592		5,593		1,347		4,246
Orange County Housing Authority		168,296		169,954		160,164		9,790
Total Expenditures and Other Financing Uses		173,888		175,547		161,511		14,036
Excess (Deficit) of Revenues and Other Financing								
Sources Over Expenditures and Other Financing Uses		(9,081)		(9,968)		1,540	\$	11,508
Fund Balances - Beginning of Year		16,846		16,846		16,846		
Fund Balances - End of Year	\$	7,765	\$	6,878	\$	18,386		
Other Governmental Resources								
Revenues and Other Financing Sources								
Use of Money and Property	\$	2	\$	2	\$	8	\$	6
Charges for Services	Ψ	220	•	220	•	135	Ψ.	(85)
Other		4		4		40		36
Total Revenues and Other Financing Sources		226	_	226		183	_	(43)
Expenditures and Other Financing Uses General Government:								
Remittance Processing Equipment Replacement		76		76		6		70
Assessor Property Characteristic		220		220				220
Total Expenditures and Other Financing Uses		296	_	296		6		290
Excess (Deficit) of Revenues and Other Financing		290		290		0		290
Sources Over Expenditures and Other Financing Uses		(70)		(70)		177	\$	247
Food Polymers - Production of West								
Fund Balances - Beginning of Year		1,193	_	1,193		1,193		
Fund Balances - End of Year	\$	1,123	\$	1,123	\$	1,370		

<sup>\*</sup> Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

#### BUDGETARY COMPARISON SCHEDULES NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE

	* Orig	inal Budget	Final Budget		Actual on Budgetary Basis		Variance Positive Negative)
Teeter Plan Notes							
Revenues and Other Financing Sources							
Fines, Forfeitures, and Penalties	\$		\$		\$	11,053	\$ 11,053
Use of Money and Property		200		200		333	133
Transfers In				11,620		11,620	
Bond Issuance Proceeds		30,000		30,000		31,536	 1,536
Total Revenues and Other Financing Sources		30,200		41,820		54,542	 12,722
Expenditures and Other Financing Uses							
General Government:							
Teeter Series A Debt Service		56,852		56,852		34,614	22,238
Total Expenditures and Other Financing Uses		56,852		56,852		34,614	22,238
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(26,652)		(15,032)		19,928	\$ 34,960
Fund Balances - Beginning of Year		48,524		48,524		48,524	
Fund Balances - End of Year	\$	21,872	\$	33,492	\$	68,452	
Pension Obligation Bonds Revenues and Other Financing Sources							
Use of Money and Property	\$	21,018	\$	21,018	\$	21,019	\$ 1
Total Revenues and Other Financing Sources		21,018		21,018		21,019	 11
Expenditures and Other Financing Uses General Government:							
Pension Obligation Bonds Debt Service		39,165		39,165		39,157	8
Total Expenditures and Other Financing Uses		39,165		39,165		39,157	8
Excess (Deficit) of Revenues and Other Financing							
Sources Over Expenditures and Other Financing Uses		(18,147)		(18,147)		(18,138)	\$ 9
Fund Balances - Beginning of Year		46,343		46,343		46,343	
Fund Balances - End of Year	\$	28,196	\$	28,196	\$	28,205	

<sup>\*</sup> Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

## BUDGETARY COMPARISON SCHEDULES NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

	* Original Budget			Final Budget		Actual on getary Basis		/ariance Positive Negative)
Criminal Justice Facilities								
Revenues and Other Financing Sources								
Fines, Forfeitures, and Penalties	\$	4,395	\$	3,921	\$	3,048	\$	(873)
Use of Money and Property		50		50		158		108
Other		5		5		73		68
Transfers In		21,696		30,301		20,200		(10,101)
Total Revenues and Other Financing Sources		26,146		34,277		23,479		(10,798)
Expenditures and Other Financing Uses Public Protection:								
Criminal Justice Facilities Accumulated Capital Outlay		15,062		16,862		5,351		11,511
Courthouse Temporary Construction		3,635		3,647		3,647		·
Sheriff - Coroner Construction and Facility Development		21,468		25,464		8,845		16,619
Total Expenditures and Other Financing Uses		40,165		45,973		17,843		28,130
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(14,019)		(11,696)		5,636	\$	17,332
Fund Balances - Beginning of Year		14,461		14,461		14,461		
Fund Balances - End of Year	\$	442	\$	2,765	\$	20,097		
Countywide Capital Projects Non-General Fund Revenues and Other Financing Sources							•	
Other	\$		\$		\$	6	\$	6
Transfers In		15,212		100,627		89,913		(10,714)
Total Revenues and Other Financing Sources		15,212		100,627		89,919		(10,708)
Expenditures and Other Financing Uses Capital Improvements:								
Countywide Capital Projects Non-General		94,203		102,754		74,327		28,427
Countywide IT Projects Non-General				5,567		591		4,976
Total Expenditures and Other Financing Uses		94,203		108,321		74,918		33,403
Excess (Deficit) of Revenues and Other Financing								
Sources Over Expenditures and Other Financing Uses		(78,991)		(7,694)		15,001	\$	22,695
Fund Balances - Beginning of Year		31,557		31,557		31,557		
Fund Balances - End of Year	\$	(47,434)	\$	23,863	\$	46,558		
					=			

<sup>\*</sup> Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

## BUDGETARY COMPARISON SCHEDULE NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND

	* Origina	ıl Budget	 Final Budget	Actual on Budgetary Basis		Variance Positive (Negative)
Regional Park Endowment						
Revenues and Other Financing Sources						
Use of Money and Property	\$	2	\$ 2	\$ 3	\$	1
Other				2		2
Total Revenues and Other Financing Sources		2	 2	5	_	3
Expenditures and Other Financing Uses Public Ways and Facilities:						
Limestone Regional Park Mitigation Maintenance Endowment		2	2			2
Total Expenditures and Other Financing Uses		2	 2			2
Excess (Deficit) of Revenues and Other Financing Sources						
Over Expenditures and Other Financing Uses				5	\$	5
Fund Balances - Beginning of Year		179	179	179		
Fund Balances - End of Year	\$	179	\$ 179	\$ 184	-	

<sup>\*</sup> Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.



#### **INTERNAL SERVICE FUNDS**

These funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, 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, group dental insurance programs, wellness program, and flexible spending accounts.

#### 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.

#### Reprographics

This fund is used to account for printing and graphic services, which are provided to departments and agencies on a cost-reimbursement basis.

#### Information and Technology

This fund is used to account for applications development and support, voice and data services, and desktop support to departments and agencies on a cost-reimbursement basis.

# COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance	Workers' Compensation
<u>ASSETS</u>					
Current Assets					
Pooled Cash/Investments	\$ 237,275	\$ 32,740	\$ 7,662	\$ 159	\$ 76,769
Cash/Cash Equivalents	375	375			
Imprest Cash Funds	8				
Restricted Cash and Investments with Trustee	5	5			
Receivables Accounts	137	1	13		
Interest/Dividends	488	73			174
Allowance for Uncollectible Receivables	(52)				
Due from Other Funds	4,717	14	105		128
Due from Other Governmental Agencies	1,052	608			2
Inventory of Materials and Supplies	409				
Prepaid Costs	1,826				248
Total Current Assets	246,240	33,816	7,780	159	77,321
Noncurrent Assets					
Capital Assets					
Construction in Progress	1,846				
Intangible Assets In Progress	65				65
Structures and Improvements	11,788				
Accumulated Depreciation	(6,412)				
Equipment	129,026				8
Accumulated Depreciation Total Capital Assets	<u>(77,719)</u> 58,594				(8) 65
Total Capital Assets	30,394				
Total Assets	304,834	33,816	7,780	159	77,386
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	0 424				1,820
Total Deferred Outflows of Resources	8,421 8,421				1,820
	0,421				1,020
LIABILITIES					
Current Liabilities					
Accounts Payable	21,256	419	5		1,344
Retainage Payable	12				
Salaries and Employee Benefits Payable	468				64
Due to Other Funds	2,521	36			10
Due to Other Governmental Agencies	13				
Insurance Claims Payable	54,026	12,553			28,248
Compensated Employee Absences Payable Capital Lease Obligations Payable	1,068				151
Total Current Liabilities	6,900 86,264	13.008	5		29,817
Total Guiterit Liabilities	00,204	13,000			29,017
Noncurrent Liabilities					
Insurance Claims Payable	148,145				117,386
Compensated Employee Absences Payable	1,194				140
Net Pension Liability	38,515				7,276
Total Noncurrent Liabilities	187,854				124,802
Total Liabilities	274,118	13,008	5		154,619
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflavor of Decourses Deleted to Decourse	F 007				4 000
Deferred Inflows of Resources Related to Pension Total Deferred Inflows of Resources	5,607 5,607				1,286 1,286
	5,001				1,200
NET POSITION					
Net Investment in Capital Assets	51,694				65
Unrestricted	(18,164)	20,808	7,775	159	(76,764)
Total Net Position	\$ 33,530	\$ 20,808	\$ 7,775	<u>\$ 159</u>	\$ (76,699)

nployment surance		roperty & sualty Risk	Tra	nsportation	Rep	rographics	Information & Technology		ASSETS
									Current Assets
\$ 9,032	\$	55,380	\$	13,857	\$	3,758	\$	37,918	Pooled Cash/Investments
		·							Cash/Cash Equivalents
		5						3	Imprest Cash Funds
									Restricted Cash and Investments with Trustee
									Receivables
		4		57				62	Accounts
20		125		24				72	Interest/Dividends
				(51)				(1)	Allowance for Uncollectible Receivables
		200		4,266				4	Due from Other Funds
		24		23		6		389	Due from Other Governmental Agencies
				409					Inventory of Materials and Supplies
 		127		586		101		764	Prepaid Costs
 9,052		55,865		19,171		3,865		39,211	Total Current Assets
									Noncurrent Assets
									Capital Assets
				582				1,264	Construction in Progress
									Intangible Assets In Progress
				8,986				2,802	Structures and Improvements
				(5,440)				(972)	Accumulated Depreciation
				51,772		1,515		75,731	Equipment
 				(25,673)		(1,256)		(50,782)	Accumulated Depreciation
 				30,227	-	259		28,043	Total Capital Assets
 9,052		55,865		49,398		4,124		67,254	Total Assets
									DEFERRED OUTFLOWS OF RESOURCES
		586		2,603		494		2,918	Deferred Outflows of Resources Related to Pensior
		586		2,603		494		2,918	Total Deferred Outflows of Resources
									<u>LIABILITIES</u>
									Company Link Wales
		1.014		1 070		42		16.250	Current Liabilities
		1,914		1,272 9		43		16,259 3	Accounts Payable Retainage Payable
		34		162		29		179	Salaries and Employee Benefits Payable
		34		559		220		1,696	Due to Other Funds
						13			Due to Other Governmental Agencies
922		12,303							Insurance Claims Payable
		105		355		53		404	Compensated Employee Absences Payable
								6,900	Capital Lease Obligations Payable
922		14,356		2,357		358		25,441	Total Current Liabilities
									Noncurrent Liabilities
		30,759							Insurance Claims Payable
		104		454		49		447	Compensated Employee Absences Payable
		2,881		12,583		2,466		13,309	Net Pension Liability
 		33,744	_	13,037		2,515		13,756	Total Noncurrent Liabilities
000		40.400		45.004		0.070		00.407	Total Colombia
 922	-	48,100		15,394		2,873		39,197	Total Liabilities
									DEFERRED INFLOWS OF RESOURCES
 		390		1,725		320		1,886	Deferred Inflows of Resources Related to Pension
		390		1,725		320		1,886	Total Deferred Inflows of Resources
									NET POSITION
				30,227		259		21,143	Net Investment in Capital Assets
8,130		7,961		4,655		1,166		7,946	Unrestricted
\$ 8,130	\$	7,961	\$	34,882	\$	1,425	\$	29,089	Total Net Position
	_		_						

## 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		Life Insurance		Workers' Compensation	
Operating Revenues									
Use of Money and Property	\$ 1,889	\$		\$		\$		\$	
Charges for Services	94,841								
Insurance Premiums	 324,975		66,712		173,930		835		52,045
Total Operating Revenues	421,705		66,712		173,930		835		52,045
Operating Expenses									
Salaries and Employee Benefits	21,815								2,806
Services and Supplies	25,816		1,976						466
Professional Services	58,366		4,711		4				5,002
Operating Leases	1,630								196
Insurance Claims and Premiums	279,586		62,039		169,106		798		30,398
Other Charges	455		455		·				
Taxes and Other Fees	11								
Depreciation	8,086								
Total Operating Expenses	395,765		69,181		169,110		798		38,868
Operating Income (Loss)	25,940		(2,469)		4,820		37		13,177
Nonoperating Revenues									
Intergovernmental Revenues	1,147		1,147						
Interest and Investment Income	791		136		67		1		220
Gain on Disposition of Capital Assets	248								
Other Taxes	11								
Other Revenue	5,789		1,925		144				2,969
Total Nonoperating Revenues	7,986		3,208		211		1		3,189
Income (Loss) Before Contributions and Transfers	33,926		739		5,031		38		16,366
Capital Contributions	454								
Transfers In	8,321		1,853		5				398
Transfers Out	(4,101)				(78)		(1)		(12)
Change in Net Position	 38,600		2,592		4,958		37		16,752
Net Position - Beginning of Year	(5,070)		18,216		2,817		122		(93,451)
Net Position - End of Year	\$ 33,530	\$	20,808	\$	7,775	\$	159	\$	(76,699)

	ployment urance	operty & ualty Risk	Trar	nsportation	Repr	ographics	rmation & chnology	
		 				<u> </u>	 	Operating Revenues
\$		\$ 	\$		\$		\$ 1,889	Use of Money and Property
				22,752		4,336	67,753	Charges for Services
		31,453						Insurance Premiums
		31,453		22,752		4,336	69,642	Total Operating Revenues
								Operating Expenses
		1,518		7,759		1,303	8,429	Salaries and Employee Benefits
		6,097		8,230		1,178	7,869	Services and Supplies
	49	596		2,475		475	45,054	Professional Services
		192		26		473	743	Operating Leases
	1,088	16,157						Insurance Claims and Premiums
								Other Charges
				11				Taxes and Other Fees
				4,030		96	3,960	Depreciation
-	1,137	 24,560		22,531		3,525	 66,055	Total Operating Expenses
	(1,137)	 6,893		221		811	3,587	Operating Income (Loss)
								Nonoperating Revenues
								Intergovernmental Revenues
	39	158		62		15	93	Interest and Investment Income
				204		42	2	Gain on Disposition of Capital Assets
				11				Other Taxes
	6	200		227		146	172	Other Revenue
	45	 358		504		203	 267	Total Nonoperating Revenues
	(1,092)	7,251		725		1,014	3,854	Income (Loss) Before Contributions and Transfer
				454				Capital Contributions
				6,065				Transfers In
		 		(215)			 (3,795)	Transfers Out
	(1,092)	7,251		7,029		1,014	59	Change in Net Position
	9,222	 710		27,853		411	 29,030	Net Position - Beginning of Year
\$	8,130	\$ 7,961	\$	34,882	\$	1,425	\$ 29,089	Net Position - End of Year

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

	 Total	Health an Self-Ins Employee	sured		MO Health	_	Life Insurance		Vorkers'
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from Customers	\$ 28,870	\$		\$		\$		\$	
Cash Received for Premiums Within the County's Entity	324,975		66,712		173,930		835		52,045
Payments to Suppliers for Goods and Services	(381,042)	(	(69,022)		(169,106)		(798)		(50,068)
Payments to Employees for Services	(22,101)								(2,907)
Payments for Interfund Services	(3,242)				(104)				(121)
Receipts for Interfund Services	70,395		721						
Payment for Taxes and Other Fees	(11)								
Other Operating Receipts	5,789		1,925		144				2,969
Other Operating Payments	(2,404)		(765)		(5)				(196)
Net Cash Provided (Used) by Operating Activities	21,229		(429)		4,859		37		1,722
OACH ELONG EDOM NONGADITAL EINANGING ACTIVITIES									
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	0.004		4.050		_				000
Transfers In	8,321		1,853		5				398
Transfers Out	(4,101)				(78)		(1)		(12)
Intergovernmental Revenues	1,147		1,147						
Other Taxes	 11								
Net Cash Provided (Used) by Noncapital Financing Activities	 5,378		3,000		(73)		(1)		386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition of Capital Assets	(13,658)								(65)
Principal Paid on Capital Lease Obligations	(6,900)								
Net Cash (Used) by Capital and Related Financing Activities	 (20,558)	-				_			(65)
• • • • • • • • • • • • • • • • • • • •	 (==,===)					_			(447)
CASH FLOW FROM INVESTING ACTIVITIES	COF		115		67		1		176
Interest on Investments	 685		115 115		67 67		<u> </u>		176 176
Net Cash Provided by Investing Activities	 685		115		67		1		176
Net Increase (Decrease) in Cash and Cash Equivalents	6,734		2,686		4,853		37		2,219
Cash and Cash Equivalents - Beginning of Year	230,929		30,434		2,809		122		74,550
Cash and Cash Equivalents - End of Year	\$ 237,663	\$	33,120	\$	7,662	\$	159	\$	76,769
Provided (Used) by Operating Activities  Operating Income (Loss)  Adjustments to Reconcile Operating Income (Loss) to  Net Cash Provided (Used) by Operating Activities:	\$ 25,940	\$	(2,469)	\$	4,820	\$	37	\$	13,177
Depreciation	8,086								
Other Revenue	5,789		1,925		144				2,969
(Increases) Decreases In:	5,769		1,920		144				2,909
Accounts Receivable	(29)		5		(5)				
Due from Other Funds	(2,134)		686		(5) (105)				(128)
Due from Other Governmental Agencies	(397)		(315)		(103)				(120)
Inventory of Materials and Supplies	3		(313)						
Prepaid Costs	(213)								(72)
Deferred Outflows of Resources Related to Pension	3,063								878
Increases (Decreases) In:	•								
Accounts Payable	245		129		5				(73)
Retainage Payable	10								`
Salaries and Employee Benefits Payable	(686)								(80)
Due to Other Funds	1,532		35						6
Due to Other Governmental Agencies	8								
Insurance Claims Payable	(17,325)		(425)						(14,056)
Compensated Employee Absences Payable	148								15
Net Pension Liability	(4,008)								(1,304)
Deferred Inflows of Resources Related to Pension	1,197								390
Total Adjustments	 (4,711)		2,040		39				(11,455)
Net Cash Provided (Used) by Operating Activities	\$ 21,229	\$	(429)	\$	4,859	\$	37	\$	1,722
Reconciliation of Cash and Cash Equivalents to	 _	· <u> </u>	_	_	_		_	_	_
Statement of Net Position									
Clarent of Not I Conton									
Pooled Cash/Investments	\$ 237 275	\$	32 740	\$	7 662	\$	150	\$	76 769
Pooled Cash/Investments Cash/Cash Equivalents	\$ 237,275 375	\$	32,740 375	\$	7,662	\$	159	\$	76,769
Cash/Cash Equivalents	\$ 375	\$	32,740 375	\$	7,662 	\$		\$	76,769 
Cash/Cash Equivalents Imprest Cash Funds	\$ 375 8	\$	375 	\$	7,662  	\$		\$	76,769  
Cash/Cash Equivalents	\$ 375	\$		\$	7,662    7,662	\$		\$	76,769    76,769

	mployment surance		roperty & sualty Risk	Tra	nsportation	Rep	prographics		ormation & echnology	
\$	-	\$	 31,453	\$	22,781	\$	4,415	\$	1,674	CASH FLOWS FROM OPERATING ACTIVITIES Receipts from Customers Cook Provinced for Propriation Within the Countrie Entitle
	(1,046)		(25,574)		(10,551)		(1,690)		(53,187)	Cash Received for Premiums Within the County's Entity Payments to Suppliers for Goods and Services
	(1,040)		(1,523)		(7,783)		(1,050)		(8,535)	Payments to Suppliers for Services  Payments to Employees for Services
			(55)		(2,962)		(1,000)		(0,000)	Payments for Interfund Services
					(=,=)		175		69,499	Receipts for Interfund Services
					(11)					Payment for Taxes and Other Fees
	6		200		227		146		172	Other Operating Receipts
			(196)		(26)		(473)		(743)	Other Operating Payments
	(1,040)		4,305		1,675		1,220		8,880	Net Cash Provided (Used) by Operating Activities
										CACH ELONIO EDOM NONCADITAL EINANCINO ACTIVITIES
	_				6,065					CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES  Transfers In
					(215)				(3,795)	Transfers Out
					(213)				(5,755)	Intergovernmental Revenues
					11					Other Taxes
					5,861				(3,795)	Net Cash Provided (Used) by Noncapital Financing Activities
										CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
					(12,873)		(11)		(709)	Acquisition of Capital Assets
									(6,900)	Principal Paid on Capital Lease Obligations
					(12,873)		(11)		(7,609)	Net Cash (Used) by Capital and Related Financing Activities
	35		122		55		18		96	CASH FLOW FROM INVESTING ACTIVITIES Interest on Investments
	35		122		55		18		96	Net Cash Provided by Investing Activities
										, .
	(1,005)		4,427		(5,282)		1,227		(2,428)	Net Increase (Decrease) in Cash and Cash Equivalents
	10,037	_	50,958		19,139		2,531	_	40,349	Cash and Cash Equivalents - Beginning of Year
\$	9,032	\$	55,385	\$	13,857	\$	3,758	\$	37,921	Cash and Cash Equivalents - End of Year
\$	(1,137)	\$	6,893	\$	221	\$	811	\$	3,587	Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities Operating Income (Loss)
										Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
	-				4,030		96		3,960	Depreciation
	6		200		227		146		172	Other Revenue
					(4)				(00)	(Increases) Decreases In:
	-		(10)		(1) (2,834)				(28) 257	Accounts Receivable  Due from Other Funds
			(4)		30		79		(187)	Due from Other Funds  Due from Other Governmental Agencies
			()		3				(107)	Inventory of Materials and Supplies
			(4)		(33)		(10)		(94)	Prepaid Costs
			193		852 <sup>°</sup>		117 <sup>′</sup>		1,023	Deferred Outflows of Resources Related to Pension
										Increases (Decreases) In:
	(23)		238		178		(37)		(172)	Accounts Payable
					8				2	Retainage Payable
			(45)		(211)		(43)		(307)	Salaries and Employee Benefits Payable
			(45)		(128)		175		1,489	Due to Other Funds
			(2.050)		(2)		10			Due to Other Governmental Agencies Insurance Claims Payable
	114		(2,958) 7		 71		(0)		64	•
			(228)		(1,050)		(9) (163)		(1,263)	Compensated Employee Absences Payable Net Pension Liability
			68		314		48		377	Deferred Inflows of Resources Related to Pension
	97		(2,588)		1,454		409		5,293	Total Adjustments
\$	(1,040)	\$	4,305	\$	1,675	\$	1,220	\$	8,880	Net Cash Provided (Used) by Operating Activities
										Reconciliation of Cash and Cash Equivalents to
•	0.000	•			40.0==	•	0	•	07.010	Statement of Net Position
\$	9,032	\$	55,380	\$	13,857	\$	3,758	\$	37,918	Pooled Cash/Investments
			 5						3	Cash/Cash Equivalents Imprest Cash Funds
										Restricted Cash and Investments with Trustee
\$	9,032	\$	55,385	\$	13,857	\$	3,758	\$	37,921	Total Cash and Cash Equivalents
		_								·

#### **FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations, or other governments. These funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

#### PRIVATE-PURPOSE TRUST FUNDS

#### **Public Administration Trust Funds**

These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment.

#### Orange County Redevelopment Successor Agency (Successor Agency)

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABx1 26. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Orange County Redevelopment Successor Agency holds the assets of the dissolved OCDA pending liquidation and distribution.

#### PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

#### Extra-Help Defined Benefit Plan

This fund is used to account for the retirement plan for employees working less than half-time or as extrahelp. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System (OCERS).

#### Extra-Help Defined Contribution Plan

This fund is used to account for the defined contribution retirement plan for extra-help and part-time employees. This plan replaced the Extra-Help Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. Effective February 10, 2015, the plan also includes new employees who have attained age 60 at date of hire, who waive membership in OCERS, and do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS. The eligible employees of these plans are not covered by OCERS.

#### 401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established in January 1999 for eligible employees, including the members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and to all grandfathered administrative managers, effective June 23, 2016 and December 28, 2012, respectively.

#### 1.62% at 65 Retirement, 401(a) Defined Contribution Plan

This fund is used to account for the matching 401(a) employer contributions for eligible employees in the "1.62% at 65" Retirement (OCERS) formula who voluntarily contribute to the "1.62% at 65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

#### Retiree Medical Plan

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 (HRA) Plan

This fund is used to account for the employer contributions to the HRA, 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. The HRA was amended and restated on June 1, 2016 to provide for the transition of the Orange County Attorney's Association to the HRA Plan in July 2016.

#### **AGENCY FUNDS**

#### <u>Unapportioned Tax and Interest Funds</u>

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

	Public Administration Total Trust Funds				Orange County Redevelopment Successor Agency		
<u>ASSETS</u>							
Pooled Cash/Investments Restricted Cash and Investments	\$	62,928	\$	53,841	\$	9,087	
Restricted Investments with Trustee Receivables		4,653				4,653	
Interest/Dividends		155		131		24	
Due from Other Governmental Agencies Land and Improvements Held for Resale		1 133				1 133	
Total Assets		67,870		53,972		13,898	
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding		333				333	
Total Deferred Outflows of Resources		333				333	
LIABILITIES							
Bonds Payable		26,238				26,238	
Interest Payable		339				339	
Due to Other Governmental Agencies Total Liabilities		26,584		 		7 26,584	
DEFERRED INFLOWS OF RESOURCES							
Deferred Charge on Refunding		114				114	
Total Deferred Inflows of Resources		114				114	
NET POSITION							
Restricted for Private-Purpose Trust Funds		41,505		53,972		(12,467)	
Net Position (Deficit)	\$	41,505	\$	53,972	\$	(12,467)	

# COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUNDS FOR THE YEAR ENDED JUNE 30, 2017

		Total	Adm	Public ninistration ist Funds	Orange County Redevelopment Successor Agency		
Additions:	-	Total		iot i unao		seer rigeriey	
Contributions to Private-Purpose Trust	\$	72,203	\$	72,203	\$		
Intergovernmental Revenues	•	5,137	•		*	5,137	
Other Revenues		628				628	
Interest and Investment Income		609		559		50	
Less: Investment Expense		(5)				(5)	
Total Additions		78,572		72,762		5,810	
Deductions:							
Distributions from Private-Purpose Trust		65,213		65,213			
Professional Services		112		27		85	
Tax Pass-Throughs		23				23	
Interest Expense		931				931	
Total Deductions		66,279		65,240		1,039	
Change in Net Position		12,293		7,522		4,771	
Net Position (Deficit), Beginning of Year		29,212		46,450		(17,238)	
Net Position (Deficit), End of Year	\$	41,505	\$	53,972	\$	(12,467)	

# COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

ASSETS		Extra-Help Defined Benefit Total Plan			tra-Help Defined ntribution Plan	401(a) Defined Contribution Plan	
Pooled Cash/Investments	\$	297	\$		\$ 	\$	
Restricted Cash and Investments							
Restricted Investments with Trustee		131,379		6,528	7,854		15,480
Restricted Cash with OCERS		268,394					
Receivables							
Interest/Dividends		14					
Due from Other Governmental Agencies		1,477			19		23
Total Assets		401,561		6,528	7,873		15,503
LIABILITIES							
Due to Other Governmental Agencies		2					
Total Liabilities	_	2					
NET POSITION							
Restricted for Pension and OPEB Benefits		401,559		6,528	7,873		15,503
Net Position	\$	401,559	\$	6,528	\$ 7,873	\$	15,503

Ret 401(a	2% at 65 irement, a) Defined bution Plan	Plan 401	ree Medical (Combined (h) and 115 Trusts)	Health Reimbursement Arrangement Plan				
\$	1	\$	250	\$	46			
	2,738 		 268,394		98,779 			
	32 2,771		14 1,147 269,805	256 99,081				
			2 2					
\$	2,771 2,771	\$	269,803 269,803	\$	99,081 99,081			

#### **ASSETS**

Pooled Cash/Investments
Restricted Cash and Investments
Restricted Investments with Trustee
Restricted Cash with OCERS
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

Additions:	Total		Extra-Help Defined Benefit Plan		Extra-Help Defined Contribution Plan		De Cont	01(a) efined tribution Plan
Contributions to Pension and Other								
Employee Benefits Trust: Employer	\$	64,006	\$	784	\$		\$	970
Employee	Ψ	3,687	Ψ	704	Ψ	996	Ψ	37 U
Interest and Investment Income		40,148		523		150		1,460
Less: Investment Expense		(603)		(5)		(8)		(11)
Total Additions		107,238		1,302		1,138		2,419
Deductions:								
Benefits Paid to Participants		37,722		373		624		1,177
Administrative Expense		47						
Total Deductions		37,769		373		624		1,177
Change in Net Position		69,469		929		514		1,242
Net Position, Beginning of Year		332,090		5,599		7,359		14,261
Net Position, End of Year	\$	401,559	\$	6,528	\$	7,873	\$	15,503

Ref 401(a	1.62% at 65 Retirement, 401(a) Defined Contribution Plan		ree Medical (Combined (h) and 115 Trusts)	Reim	Health bursement gement Plan	
						Additions:
						Contributions to Pension and Other
						Employee Benefits Trust:
\$	1,211	\$	47,853	\$	13,188	Employer
			2,691			Employee
	270		27,817		9,928	Interest and Investment Income
	(3)		(7)		(569)	Less: Investment Expense
	1,478		78,354		22,547	Total Additions
						Deductions:
			33,796		1,752	Benefits Paid to Participants
			47			Administrative Expense
			33,843		1,752	Total Deductions
	1,478		44,511		20,795	Change in Net Position
	1,293		225,292		78,286	Net Position, Beginning of Year
\$	2,771	\$	269,803	\$	99,081	Net Position, End of Year

# COMBINING STATEMENT OF FIDUCIARY NET POSITION ALL AGENCY FUNDS

ASSETS	 Total	apportioned and Interest Funds	Departmental Funds		
Pooled Cash/Investments	\$ 352,816	\$ 191,591	\$	161,225	
Cash/Cash Equivalents	206			206	
Restricted Cash and Investments with Trustee	38,313			38,313	
Investments	1,082			1,082	
Deposits In-Lieu of Cash	54,565			54,565	
Receivables					
Accounts	475			475	
Taxes	302,964	302,964			
Interest/Dividends	12,145	11,833		312	
Allowance For Uncollectible Receivables	(179,589)	(179,588)		(1)	
Due from Other Governmental Agencies	3,181	340		2,841	
Notes Receivable	 29,431	 		29,431	
Total Assets	 615,589	 327,140		288,449	
<u>LIABILITIES</u>					
Interest Payable	9,907	9,907			
Deposits from Others	18,457			18,457	
Monies Held for Others	203,981			203,981	
Due to Other Governmental Agencies	66,011			66,011	
Unapportioned Taxes	317,233	317,233			
Total Liabilities	615,589	327,140		288,449	
NET POSITION	\$ 	\$ 	\$		



# COMBINING STATEMENT OF CHANGES 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 Receivables Taxes Interest/Dividends Allowance for Uncollectible Receivables Due from Other Governmental Agencies Total Assets	\$ \$	134,680 340,178 8,632 (167,620) 510 316,380	\$ 8,483,942 18,096,670 83,677  25,829 26,690,118	\$	8,427,031 18,133,884 80,476 11,968 25,999 26,679,358	\$	191,591 302,964 11,833 (179,588) 340 327,140
<u>LIABILITIES</u>							
Interest Payable Due to Other Governmental Agencies Unapportioned Taxes Total Liabilities	\$ \$	8,269 2 308,109 316,380	\$ 32,954 62,570 11,232,053 11,327,577	\$	31,316 62,570 11,222,931 11,316,817	\$	9,907 2 317,231 327,140
DEPARTMENTAL FUNDS		Balance Beginning of Year	 Additions		Deductions		Balance nd of Year
<u>ASSETS</u>							
Pooled Cash/Investments Cash/Cash Equivalents Restricted Cash and Investments with Trustee Investments Deposits In-Lieu of Cash Receivables Accounts Interest/Dividends Allowance for Uncollectible Receivables	\$	139,804 270 29,465 1,082 19,454 28 390 (1)	\$ 3,627,548 445 117,323  36,753 2,502 1,032	\$	3,606,127 509 108,475  1,642 2,055 1,110	\$	161,225 206 38,313 1,082 54,565 475 312 (1)
Due from Other Governmental Agencies Prepaid Costs		2,756 	675,405 14,236		675,320 14,236		2,841 
Notes Receivable Total Assets	\$	29,674 222,922	\$ 4,475,244	\$	243 4,409,717	\$	29,431 288,449
LIABILITIES							
Deposits From Others Monies Held for Others Due to Component Unit Due to Other Governmental Agencies	\$	14,505 147,095  61,322	\$ 21,613 6,157,608 21 1,272,606	\$	17,661 6,100,722 21 1,267,917	\$	18,457 203,981  66,011
Total Liabilities	\$	222,922	\$ 7,451,848	\$	7,386,321	\$	288,449

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	 Additions	 Deductions	Balance nd of Year
<u>ASSETS</u>				
Pooled Cash/Investments Cash/Cash Equivalents Restricted Cash and Investments with Trustee Investments Deposits In-Lieu of Cash Receivables	\$ 274,484 270 29,465 1,082 19,454	\$ 12,111,490 445 117,323  36,753	\$ 12,033,158 509 108,475  1,642	\$ 352,816 206 38,313 1,082 54,565
Accounts Taxes Interest/Dividends Allowance for Uncollectible Receivables Due from Other Governmental Agencies Prepaid Costs Notes Receivable	28 340,178 9,022 (167,621) 3,266  29,674	2,502 18,096,670 84,709  701,234 14,236	2,055 18,133,884 81,586 11,968 701,319 14,236 243	475 302,964 12,145 (179,589) 3,181  29,431
Total Assets	\$ 539,302	\$ 31,165,362	\$ 31,089,075	\$ 615,589
<u>LIABILITIES</u>				
Interest Payable Deposits from Others Monies Held for Others Due to Component Unit Due to Other Governmental Agencies Unapportioned Taxes	\$ 8,269 14,505 147,095  61,324 308,109	\$ 32,954 21,613 6,157,608 21 1,335,176 11,232,053	\$ 31,316 17,661 6,100,722 21 1,330,487 11,222,931	\$ 9,907 18,457 203,981  66,013 317,231
Total Liabilities	\$ 539,302	\$ 18,779,425	\$ 18,703,138	\$ 615,589





# 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>
	Financial Trends  These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	193
	Revenue Capacity  These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	205
	Debt Capacity  These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	210
	Economic and Demographic Information  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.	215
	Operating Information  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.	217

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)

					F	iscal Year				
		2016-17		2015-16		2014-15		2013-14	(3)	2012-13
Governmental Activities										
Net Investment in Capital Assets	\$	2,813,296	\$	2,707,493	\$	2,670,577	\$	2,646,812	\$	2,563,976
Restricted for:										
Expendable										
OPEB										
Pension Benefits		125,876		111,639		112,544		109,986		105,900
Capital Projects		164,400		10,836		6,154		8,661		11,904
Debt Service		33,409		36,380		37,734		37,639		31,965
Legally Segregated for Grants										
and Other Purposes		1,192,827		1,103,257		1,045,897		1,190,106		1,174,791
Regional Park Endowment		145		144		141		140		139
Nonexpendable										
Regional Park Endowment		196		193		188		185		183
Unrestricted		(3,074,958)		(2,979,945)		(2,991,814)		331,408		196,850
Total Governmental Activities Net Position	\$	1,255,191	\$	989,997	\$	881,421	\$	4,324,937	\$	4,085,708
Business-Type Activities										
Net Investment in Capital Assets	\$	708,286	\$	663,280	\$	642,427	\$	624,621	\$	587,934
Restricted for:										
Expendable										
Debt Service		36,181		8,499		7,324		7,090		58,772
Passenger Facility Charges		, -		-,		,-		,		,
Approved Capital Projects		2,775		14,705		70,538		62,522		55,331
Replacements and Renewals		1,000		1,000		1,000		1,000		1,000
Landfill Closure/Postclosure		28,962		33,997		33,337		37,412		40,355
Landfill Corrective Action		8,278		8,245		8,174		7,141		6,109
Wetland		879		879		879		879		879
Prima Deshecha/La Pata Closure		104		104		104		104		104
Airport (2)		104		104		104		104		104
Waste Management (2)										
Unrestricted		463,495		465,003		362,546		384,871		335,122
Total Business-Type Activities Net Position	Φ	,	¢		\$		\$		\$	
Total Business-Type Activities Net Position	\$	1,249,960	\$	1,195,712	Ф	1,126,329	Ф	1,125,640	Ф	1,085,606

Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.

<sup>(2)</sup> Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.

<sup>(3)</sup> The balances shown have not been restated to include the prior period adjustments.

			F	iscal Year			
2011-12 <sup>(</sup>	3)	2010-11		2009-10	2008-09	2007-08	
							Governmental Activities
\$ 2,699,809	\$	2,626,281	\$	2,560,468	\$ 2,445,397	\$ 2,302,926	Net Investment in Capital Assets
							Restricted for:
							Expendable
(	1)	41,609		43,580	57,322	46,442	OPEB
96,604		107,807					Pension Benefits
16,269		56,219		58,947	85,197	211,426	Capital Projects
		87,253		76,936	66,515	168,468	Debt Service
							Legally Segregated for Grants
1,077,117		1,133,256		1,069,801	1,047,284	990,198	and Other Purposes
							Regional Park Endowment
							Nonexpendable
319		315		154	149	139	Regional Park Endowment
 37,790		(73,741)		(9,986)	(1,271)	57,812	Unrestricted
\$ 3,927,908	\$	3,978,999	\$	3,799,900	\$ 3,700,593	\$ 3,777,411	Total Governmental Activities Net Position
							Business-Type Activities
\$ 574.982	\$	591.664	\$	537.375	\$ 493.658	\$ 395.227	Business-Type Activities  Net Investment in Capital Assets
\$ 574,982	\$	591,664	\$	537,375	\$ 493,658	\$ 395,227	Business-Type Activities  Net Investment in Capital Assets Restricted for:
\$ 574,982	\$	591,664	\$	537,375	\$ 493,658	\$ 395,227	Net Investment in Capital Assets
\$ 574,982	\$	591,664	\$	537,375	\$ 493,658	\$ 395,227	Net Investment in Capital Assets Restricted for:
\$ 574,982  	\$	591,664  	\$	537,375	\$ 493,658  	\$ 395,227  	Net Investment in Capital Assets Restricted for: Expendable Debt Service
\$ 574,982  	\$	591,664  	\$	537,375	\$ 493,658  	\$ 395,227  	Net Investment in Capital Assets Restricted for: Expendable Debt Service Passenger Facility Charges
\$ 574,982   	\$	591,664   	\$	537,375   	\$ 493,658   	\$ 395,227   	Net Investment in Capital Assets Restricted for: Expendable Debt Service Passenger Facility Charges Approved Capital Projects
\$ 574,982    	\$	591,664    	\$	537,375    	\$ 493,658    	\$ 395,227   	Net Investment in Capital Assets Restricted for: Expendable Debt Service Passenger Facility Charges Approved Capital Projects Replacements and Renewals
\$ 574,982    	\$	591,664    	\$	537,375    	\$ 493,658    	\$ 395,227    	Net Investment in Capital Assets Restricted for: Expendable Debt Service Passenger Facility Charges Approved Capital Projects Replacements and Renewals Landfill Closure/Postclosure
\$ 574,982     	\$	591,664     	\$	537,375     	\$ 493,658     	\$ 395,227     	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
\$ 574,982     	\$	591,664     	\$	537,375     	\$ 493,658     	\$ 395,227     	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
\$      	\$	     	\$	     	\$      	\$      	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
\$      58,149	\$	      50,899	\$	      48,225	\$       176,225	\$       218,293	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
\$      58,149 82,205	\$	      50,899 84,070	\$	      48,225 86,943	\$      	\$      	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
\$      58,149	\$	      50,899	\$	      48,225	\$       176,225	\$       218,293	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

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

	Fiscal Year									
		2016-17		2015-16		2014-15		2013-14 <sup>(</sup>	3)	2012-13
Primary Government										
Net Investment in Capital Assets	\$	3,521,582	\$	3,370,773	\$	3,313,004	\$	3,271,433	\$	3,151,910
Restricted for:										
Expendable										
OPEB										
Pension Benefits		125,876		111,639		112,544		109,986		105,900
Capital Projects		164,400		10,836		6,154		8,661		11,904
Debt Service		69,590		44,879		45,058		44,729		90,737
Legally Segregated for Grants										
and Other Purposes		1,192,827		1,103,257		1,045,897		1,190,106		1,174,791
Regional Park Endowment		145		144		141		140		139
Passenger Facility Charges										
Approved Capital Projects		2,775		14,705		70,538		62,522		55,331
Replacements and Renewals		1,000		1,000		1,000		1,000		1,000
Landfill Closure/Postclosure		28,962		33,997		33,337		37,412		40,355
Landfill Corrective Action		8,278		8,245		8,174		7,141		6,109
Wetland		879		879		879		879		879
Prima Deshecha/La Pata Closure		104		104		104		104		104
Airport (2)										
Waste Management (2)										
Nonexpendable										
Regional Park Endowment		196		193		188		185		183
Unrestricted		(2,611,463)		(2,514,942)		(2,629,268)		716,279		531,972
Total Primary Government Net Position	\$	2,505,151	\$	2,185,709	\$	2,007,750	\$	5,450,577	\$	5,171,314

Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.

<sup>(2)</sup> Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.

<sup>(3)</sup> The balances shown have not been restated to include the prior period adjustments.

 Fiscal Year												
2011-12 <sup>(</sup>	3)	2010-11		2009-10		2008-09		2007-08				
\$ 3,274,791	\$	3,217,945	\$	3,097,843	\$	2,939,055	\$	2,698,153				
96,604 16,269	1)	41,609 107,807 56,219 87,253		43,580  58,947 76,936		57,322  85,197 66,515		46,442  211,426 168,468				
1,077,117		1,133,256		1,069,801		1,047,284		990,198				
58,149 82,205		50,899 84,070		48,225 86,943		176,225 284,943		218,293 294,068				
 319 388,264	•	315 239,827	Φ.	154 311,792	•	149 (1,271)		139 57,812				
\$ 4,993,718	\$	5,019,200	\$	4,794,221	\$	4,655,419	\$	4,684,999				

#### **Primary Government** Net Investment in Capital Assets Restricted for: Expendable **OPEB** 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

Total Primary Government Net Position

Unrestricted

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

Page		Fiscal Year									
Governmental Activities:         \$ 186.340         \$ 203.394         \$ 191.793         \$ 131.026         \$ 221.110           Public Protection         1,485.137         1,433.421         1,326,028         1,261,984         1,264,354           Public Ways and Facilities         979,228         142,071         1114,398         127,561         137,651           Health and Sanitation         593,617         554,872         537,500         626,063         621,381           Public Assistance         1,097,327         1,097,129         1,049,665         988,735         944,230           Education         44,510         46,170         43,314         412,04         35,85,48           Recreation and Cultural Services         112,749         115,136         102,089         96,820         101,232           Interest on Long-Term Debt         7,7544         20,112         23,560         29,028         31,269           Subtotal Governmental Activities         3,65,152         3612,305         3,88,407         3,301,457         3559,775           Business-Type Activities:           Airport         125,522         120,921         124,778         120,731         120,731         122,756           Vasa Management         105,149         96,301			2016-17		2015-16		2014-15		2013-14 <sup>(</sup>	1)	2012-13
Public Protection	Expenses										
Public Protection	Governmental Activities:										
Public Ways and Facilities	General Government	\$	186,340	\$	203,394	\$	191,793	\$	131,026	\$	221,110
Public Assistance	Public Protection		1,485,137		1,433,421		1,326,028		1,261,984		1,264,354
Public Assistance         1,097,327         1,097,329         1,049,665         988,735         944,230           Education         44,510         46,170         43,314         41,240         38,548           Recreation and Cultural Services         112,749         115,136         102,069         96,820         101,232           Interest on Long-Term Debt         17,544         20,112         23,660         28,028         31,269           Subtotal Governmental Activities         3,635,152         3,612,305         3,388,407         3,01,457         3,359,775           Business-Type Activities:         125,522         120,921         124,778         120,731         122,568           Waste Management         105,149         96,301         69,307         94,161         94,737           Compressed Natural Gas         367         283         331         379         305           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         33,866,190         3,829,810         3,582,823         3,516,728         3,517,328           Governmental Activities         41,988         34,048         36,924         32,016         32,127	Public Ways and Facilities		97,928		142,071		114,398		127,561		137,651
Education         44,510         46,170         43,314         41,240         38,548           Recreation and Cultural Services         112,749         115,136         102,069         96,820         101,232           Interest on Long-Term Debt         17,544         20,112         23,560         28,028         31,269           Subtotal Governmental Activities         3,635,152         3,612,305         3,388,407         3,301,457         3,359,775           Business-Type Activities:         1105,149         96,301         69,307         94,161         94,737           Compressed Natural Gas         367         283         331         379         305           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         3,866,190         3,829,810         3,582,823         3,516,728         3,577,385           Program Revenues           Governmental Activities:         41,988         34,048         36,924         32,016         32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Assistance         40,589         37,975         37,650         <	Health and Sanitation		593,617		554,872		537,580		626,063		621,381
Recreation and Cultural Services Interest on Long-Term Debt         112,749         115,136         102,069         96,820         101,232           Subtotal Governmental Activities         3,635,152         3,612,305         3,388,407         3,301,457         3,359,775           Business-Type Activities:           Airport         125,522         120,921         124,778         120,731         122,568           Waste Management         105,149         96,301         69,307         94,161         94,737           Compressed Natural Gas         367         283         331         379         3,05           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         231,038         234,048         \$3,82,823         \$3,516,728         \$3,577,385           Program Revenues           General Government         \$41,988         34,048         \$36,924         \$32,016         \$32,127           Public Protection         307,630         288,185         286,644         273,215         283,031 </td <td>Public Assistance</td> <td></td> <td>1,097,327</td> <td></td> <td>1,097,129</td> <td></td> <td>1,049,665</td> <td></td> <td>988,735</td> <td></td> <td>944,230</td>	Public Assistance		1,097,327		1,097,129		1,049,665		988,735		944,230
Interest on Long-Term Debt   17,544   20,112   23,560   28,028   31,269   3,635,152   3,612,305   3,388,407   3,301,457   3,359,775   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610   3,610	Education		44,510		46,170		43,314		41,240		38,548
Subtotal Governmental Activities   3,635,152   3,612,305   3,388,407   3,301,457   3,359,775	Recreation and Cultural Services		112,749		115,136		102,069		96,820		101,232
Business-Type Activities: Airport	Interest on Long-Term Debt		17,544		20,112		23,560		28,028		31,269
Airport Waste Management Waste Management Waste Management Compressed Natural Gas         125,522         120,921         124,778         120,731         122,568           Waste Management Compressed Natural Gas         367         283         331         379         305           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         3,866,190         3,829,810         3,582,823         3,516,728         3,577,385           Program Revenues           Governmental Activities:           Charges for Services           General Government         41,988         34,048         36,924         32,016         32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Education         1,274         1,426         1,480         2,059         1,327           Recreation and Cuttival Services         47,763         46,937         43,8	Subtotal Governmental Activities		3,635,152		3,612,305		3,388,407		3,301,457		3,359,775
Waste Management Compressed Natural Gas         105,149         96,301         69,307         94,161         94,737           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         3,866,199         3,829,810         1,582,823         3,516,728         3,577,385           Program Revenues           Governmental Activities:           Charges for Services           General Government         41,988         34,048         36,924         32,016         32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,898         37,975         37,650         42,300         39,831           Education         1,274         1,41,242         1,480         2,059         1,327           Recreation and         2,067,777         2,037,311         1,96,861         2,033,550         1	Business-Type Activities:										
Compressed Natural Gas         367         283         331         379         305           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         3,866,190         3,829,810         3,582,823         3,516,728         3,577,385           Program Revenues           Charges for Services           General Government         41,988         34,048         36,924         32,016         32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,322         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         47,763         46,937         43,882         39,251         39,631           Cultural Services         47,763         46,937         43,882         39,251         39,634           Capital Grants and Contributions         113,481         105,776	Airport		125,522		120,921		124,778		120,731		122,568
Compressed Natural Gas         367         283         331         379         305           Subtotal Business-Type Activities         231,038         217,505         194,416         215,271         217,610           Total Primary Government Expenses         3,866,190         3,829,810         3,582,823         3,516,728         3,577,385           Program Revenues           Covernmental Activities:           Charges for Services           General Government         41,988         34,048         36,924         32,016         32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,322         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         47,763         46,937         43,882         39,251         39,631           Cultural Services         47,763         46,937         43,882         39,251         39,634           Capital Grants and Co	Waste Management		105,149		96,301		69,307		94,161		94,737
Program Revenues         \$ 3,866,190         \$ 3,829,810         \$ 3,582,823         \$ 3,516,728         \$ 3,577,385           Program Revenues           Governmental Activities:         Charges for Services           General Government         \$ 41,988         \$ 34,048         \$ 36,924         \$ 32,016         \$ 32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         201tural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893      <			367		283		331		379		305
Program Revenues         \$ 3,866,190         \$ 3,829,810         \$ 3,582,823         \$ 3,516,728         \$ 3,577,385           Program Revenues           Governmental Activities:         Charges for Services           General Government         \$ 41,988         \$ 34,048         \$ 36,924         \$ 32,016         \$ 32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         201tural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893      <	Subtotal Business-Type Activities		231.038		217.505		194.416		215.271		217.610
Covernmental Activities: Charges for Services   September   Sept	· · · · · · · · · · · · · · · · · · ·	\$		\$		\$		\$		\$	
Covernmental Activities: Charges for Services   September   Sept	Program Revenues										
Charges for Services         41,988         34,048         36,924         32,016         32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         2,014 recreation and         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         150,260         149,894         141,563         136,359 <td>•</td> <td></td>	•										
General Government         \$ 41,988         \$ 34,048         \$ 36,924         \$ 32,016         \$ 32,127           Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         2,012,702         1,426         1,480         2,059         1,327           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         2         150,260         149,894         141,563         136,359         132,941 <td></td>											
Public Protection         307,630         288,185         286,644         273,215         283,031           Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         Cultural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         150,260         149,894         141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         1	•	\$	41.988	\$	34.048	\$	36.924	\$	32.016	\$	32.127
Public Ways and Facilities         67,796         63,487         53,834         53,071         39,981           Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         Cultural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services         4141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385		*		Ψ	,	Ψ	,	Ψ	,	Ψ	
Health and Sanitation         117,170         85,392         102,599         93,470         81,039           Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         2014 Tural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services         419,894         141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200 </td <td></td>											
Public Assistance         40,589         37,975         37,650         42,300         34,780           Education         1,274         1,426         1,480         2,059         1,327           Recreation and         Cultural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services           Airport         150,260         149,894         141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,82							,				
Education         1,274         1,426         1,480         2,059         1,327           Recreation and         Cultural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services           Airport         150,260         149,894         141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Re			,								
Recreation and Cultural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services         Airport         150,260         149,894         141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241											
Cultural Services         47,763         46,937         43,882         39,251         39,637           Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services         4141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241			.,		.,0		.,		2,000		.,02.
Operating Grants and Contributions         2,067,777         2,037,311         1,996,861         2,033,550         1,904,858           Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services         4         4         414,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241			47.763		46.937		43.882		39.251		39.637
Capital Grants and Contributions         113,481         105,776         33,241         54,478         62,893           Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4         4			,				,				
Subtotal Governmental Activities Program Revenues         2,805,468         2,700,537         2,593,115         2,623,410         2,479,673           Business-Type Activities:         Charges for Services           Airport         150,260         149,894         141,563         136,359         132,941           Waste Management         153,842         147,130         139,493         125,106         106,876           Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241											
Charges for Services         Airport       150,260       149,894       141,563       136,359       132,941         Waste Management       153,842       147,130       139,493       125,106       106,876         Compressed Natural Gas       248       269       312       392       385         Operating Grants and Contributions       69       171       255       900       200         Capital Grants and Contributions       1,828       2,174       9,215       5,277       3,839         Subtotal Business-Type Activities Program Revenues       306,247       299,638       290,838       268,034       244,241							•				
Charges for Services         Airport       150,260       149,894       141,563       136,359       132,941         Waste Management       153,842       147,130       139,493       125,106       106,876         Compressed Natural Gas       248       269       312       392       385         Operating Grants and Contributions       69       171       255       900       200         Capital Grants and Contributions       1,828       2,174       9,215       5,277       3,839         Subtotal Business-Type Activities Program Revenues       306,247       299,638       290,838       268,034       244,241	Business-Type Activities										
Airport     150,260     149,894     141,563     136,359     132,941       Waste Management     153,842     147,130     139,493     125,106     106,876       Compressed Natural Gas     248     269     312     392     385       Operating Grants and Contributions     69     171     255     900     200       Capital Grants and Contributions     1,828     2,174     9,215     5,277     3,839       Subtotal Business-Type Activities Program Revenues     306,247     299,638     290,838     268,034     244,241	**										
Waste Management       153,842       147,130       139,493       125,106       106,876         Compressed Natural Gas       248       269       312       392       385         Operating Grants and Contributions       69       171       255       900       200         Capital Grants and Contributions       1,828       2,174       9,215       5,277       3,839         Subtotal Business-Type Activities Program Revenues       306,247       299,638       290,838       268,034       244,241			150 260		149 894		141 563		136 359		132 941
Compressed Natural Gas         248         269         312         392         385           Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241	•		,						,		,
Operating Grants and Contributions         69         171         255         900         200           Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241					,						,
Capital Grants and Contributions         1,828         2,174         9,215         5,277         3,839           Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241	•										
Subtotal Business-Type Activities Program Revenues         306,247         299,638         290,838         268,034         244,241											
	•		,								
TOTAL ENHANGED VED VED DE LE COLLA MERCE EL LA SALLA SALL	Total Primary Government Program Revenues	\$	3,111,715	\$	3,000,175	\$	2,883,953	\$	2,891,444	\$	2,723,914

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

				F	iscal Year					
	2011-12 <sup>(*</sup>	1)	2010-11		2009-10		2008-09		2007-08	
										Expenses
										Governmental Activities:
\$	161,615	\$	223,710	\$	165,489	\$	268,092	\$	264,049	General Government
	1,231,925		1,174,859		1,160,823		1,230,894		1,164,458	Public Protection
	144,382		136,017		120,135		108,748		131,563	Public Ways and Facilities
	593,657		586,525		578,983		593,331		576,160	Health and Sanitation
	930,348		931,263		931,469		898,668		862,709	Public Assistance
	41,226		39,788		41,009				37,728	Education
	102,762		101,993		90,649		81,896		75,612	Recreation and Cultural Services
	56,765		53,806		53,782		59,751		76,210	Interest on Long-Term Debt
	3,262,680		3,247,961		3,142,339		3,241,380		3,188,489	Subtotal Governmental Activities
										Business-Type Activities:
	107,120		88,059		92,068		91,959		86,750	Airport
	94,553		93,985		84,754		79,374		101,990	Waste Management
	306		349		95					Compressed Natural Gas
	201,979		182,393		176,917		171,333		188,740	Subtotal Business-Type Activities
\$	3,464,659	\$	3,430,354	\$	3,319,256	\$	3,412,713	\$	3,377,229	Total Primary Government Expenses
										Dragram Davanua
										Program Revenues
										Governmental Activities:
Φ.	00.040	Φ.	00.504	Φ	07.450	Φ.	44.700	Φ	40.050	Charges for Services
\$	26,942	Ф	33,561	\$	27,452	Ъ	44,782	Ъ	40,659	General Government
	271,423		310,773		278,355		289,014		295,740	Public Protection
	62,653		53,960		45,809		47,283		45,898	Public Ways and Facilities  Health and Sanitation
	86,027		93,815		86,430		82,059		95,069	
	35,036		36,304		30,914		26,636		6,360	Public Assistance
	1,437		1,576		1,449		1,338		1,349	Education Recreation and
	38,888		27 560		38,223		40,138		40,449	Cultural Services
	1,800,296		37,560 1,706,231		1,741,762		1,641,501		1,735,820	Operating Grants and Contributions
	39,010		1,706,231		16,828		94,031		46,308	Capital Grants and Contributions
	2,361,712		2,444,296		2,267,222		2,266,782		2,307,652	Subtotal Governmental Activities Program Revenues
	2,001,112		_, ,		_,,		2,200,: 02		2,00.,002	Ç
										Business-Type Activities:
										Charges for Services
	129,213		124,298		126,656		125,095		126,139	Airport
	99,249		102,595		82,442		93,456		99,548	Waste Management
	293		242		129					Compressed Natural Gas
	212		657		1,432		171		569	Operating Grants and Contributions
	5,216		6,544		8,077		7,466		15,188	Capital Grants and Contributions
	234,183		234,336		218,736		226,188		241,444	Subtotal Business-Type Activities Program Revenues
\$	2,595,895	\$	2,678,632	\$	2,485,958	\$	2,492,970	\$	2,549,096	Total Primary Government Program Revenues

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

					F	iscal Year		
		2016-17		2015-16		2014-15	2013-14 <sup>(3)</sup>	2012-13 <sup>(3)</sup>
Net (Expense)/Revenue								
Governmental Activities	\$	(829,684)	\$	(911,768)	\$	(795,292) \$	(678,047) \$	(880,102)
Business-Type Activities		75,209		82,133		96,422	52,763	26,631
Total Primary Government (Expense)	\$	(754,475)	\$	(829,635)	\$	(698,870) \$	(625,284) \$	(853,471)
General Revenue and Other								
Changes in Net Position								
Governmental Activities:								
Taxes								
Property Taxes, Levied for General Fund	\$	287,212	\$	311,902	\$	328,500 \$	277,591 \$	313,299
Property Taxes, Levied for								
Flood Control District		98,563		82,193		77,090	72,737	69,321
Property Taxes, Levied for OC Parks		76,493		61,048		57,266	54,042	51,550
Property Taxes, Levied for								
OC Public Libraries		47,804		45,364		42,333	39,734	37,961
Property Tax Increments (2)								
Property Taxes in-Lieu of								
Motor Vehicle License Fees		351,011		333,595		314,957	295,798	309,745
Other Taxes		98,216		78,184		71,613	73,178	108,430
Grants and Contributions Not Restricted		,		-, -		,	-, -	,
to Specific Programs		8,434		4,583		49,476	14,192	6,711
State Allocation of Motor		•		•		,	,	,
Vehicle License Fees		1,234		1,100		764	895	1,659
Unrestricted Investment Earnings		19,760		17,032		6,796	18,459	11,559
Miscellaneous		80,229		63,825		69,789	54,412	48,478
Gain on Sale of Capital Assets								
Transfers		25,922		21,518		19,959	17,557	10,276
Subtotal Governmental Activities		1,094,878		1,020,344		1,038,543	918,595	968,989
Extraordinary Gain/(Loss)	-							-
Dissolution of OCDA (1)								1,800
2.000.00.00.0027.								,
Business-Type Activities:								
Other Taxes		78		72		109	101	93
Unrestricted Investment Earnings		3,497		6,526		3,042	3,064	2,113
Miscellaneous Revenues		1,386		2,170		1,597	3,177	1,235
Special Items								
Transfers		(25,922)		(21,518)		(19,959)	(17,557)	(10,276)
Subtotal Business-Type Activities		(20,961)		(12,750)		(15,211)	(11,215)	(6,835)
Total Primary Government General		,		· ·		, ,	, ,	<u> </u>
Revenue and Other Charges		1,073,917	\$	1,007,594	\$	1,023,332 \$	907,380 \$	963,954
Change in Not Position							_	
Change in Net Position	æ	OCE 404	φ	400 E70	φ	040.054	040 540	00.607
Governmental Activities	\$	,	\$	108,576	\$	243,251 \$	240,548 \$	90,687
Business-Type Activities	<b>ተ</b>	54,248	Φ	69,383	Φ	81,211	41,548	19,796
Total Primary Government	\$	319,442	\$	177,959	\$	324,462 \$	282,096 \$	110,483

Notes:

<sup>(1)</sup> Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.

<sup>(2)</sup> Starting in FY 2012-13, there were no property tax increment revenues due to dissolution of OCDA.

<sup>(3)</sup> The balances shown have not been restated to include prior period adjustments.

			Fiscal Year					
	2011-12	2010-11	2009-10		2008-09		2007-08	
								Net (Expense)/Revenue
\$	(900,968) \$	(803,665)	. , ,	\$	(1,015,863)	\$	(880,837)	Governmental Activities
	32,204	51,943	41,819		54,855		52,704	Business-Type Activities
\$	(868,764) \$	(751,722)	\$ (833,298)	\$	(961,008)	\$	(828,133)	Total Primary Government (Expense)
								General Revenue and Other
								Changes in Net Position
								Governmental Activities:
<b>ተ</b>	044 770	200.052	¢ 000.054	Φ	000 000	Φ	070.050	Taxes
\$	311,779 \$	298,953	\$ 290,054	Ъ	263,893	Ъ	273,259	Property Taxes, Levied for General Property Taxes, Levied for
	68,184	73,260	67,103		68,747		68,042	Flood Control District
	51,168	51,554	49,857		51,076		50,551	Property Taxes, Levied for OC Park
	31,100	31,334	49,037		31,070		30,331	Property Taxes, Levied for
	37,389	37,590	37,057		37,932		37,454	OC Public Libraries
	18,308	30,755	31,917		35,276		32,376	Property Tax Increments
	10,000	00,700	01,017		00,270		02,070	Property Taxes in-Lieu of
	303,955	228,421	229,635		232,760		224,210	Motor Vehicle License Fees
	43,568	83,938	93,024		94,184		84,434	Other Taxes
	10,000	00,000	00,021		01,101		01,101	Grants and Contributions Not Restricte
	9,377	27,457	10,299		27,637		23,434	to Specific Programs
	•	,	,		•		•	State Allocation of Motor
	2,667	49,889	46,697		50,390		54,656	Vehicle License Fees
	4,195	23,703	15,541		13,583		27,773	Unrestricted Investment Earnings
	57,125	64,563	54,496		49,438		66,887	Miscellaneous
	34							Gain on Sale of Capital Assets
	11,767	12,681	11,188		14,129		16,802	Transfers
	919,516	982,764	936,868		939,045		959,878	Subtotal Governmental Activities
								Extraordinary Gain/(Loss)
	(69,639)							Dissolution of OCDA
								Business-Type Activities:
	134							Other Taxes
	3,530	5,509	6,411		17,332		29,206	Unrestricted Investment Earnings
	1,508	1,109	2,453		786		2,886	Miscellaneous Revenues
							(6,835)	Special Items
	(11,767)	(12,681)	(11,188)		(14,129)		(16,802)	Transfers
	(6,595)	(6,063)	(2,324)		3,989		8,455	Subtotal Business-Type Activities
								Total Primary Government General
\$	843,282 \$	976,701	\$ 934,544	\$	943,034	\$	968,333	Revenue and Other Charges
								Change in Net Position
\$	(51,091) \$	179,099	\$ 61,751	\$	(76,818)	\$	79,041	Governmental Activities
	25,609	45,880	39,495		58,844		61,159	Business-Type Activities
\$	(25,482) \$	224,979	\$ 101,246	\$	(17,974)	\$	140,200	Total Primary Government

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

	Fiscal Year									
		2016-17		2015-16		2014-15		2013-14		2012-13(2)
General Fund										_
Reserved	\$		\$		\$		\$		\$	
Unreserved										
Nonspendable (1)		372,572		331,889		336,606		321,022		263,446
Restricted (1)		39,581		49,230		31,486		42,028		34,679
Assigned (1)		265,293		321,064		269,529		153,336		68,157
Unassigned (1)		73,446		25,655		26,887				78,264
Total General Fund	\$	750,892	\$	727,838	\$	664,508	\$	516,386	\$	444,546
All Other Governmental Funds										
Reserved	\$		\$		\$		\$		\$	
Unreserved, Reported in:										
Special Revenue Funds										
Debt Service Funds										
Capital Projects Funds										
Permanent Fund										
Nonspendable (1)		21,697		20,501		21,296		21,207		18,929
Restricted (1)		1,635,408		1,479,405		1,417,122		1,362,102		1,357,556
Assigned (1)		170,472		129,782		83,765		67,929		65,556
Unassigned (1)										
Total All Other Governmental										
Funds	\$	1,827,577	\$	1,629,688	\$	1,522,183	\$	1,451,238	\$	1,442,041

Note:

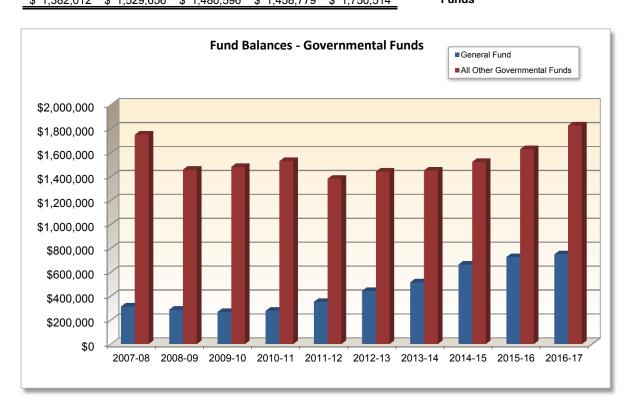
<sup>(1)</sup> In accordance with GASB Statement No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.

<sup>(2)</sup> The balances shown have not been restated to include prior period adjustments.

	Fiscal Year											
		2011-12		2010-11		2009-10		2008-09		2007-08		
	\$		\$		\$	53,190	\$	49,423	\$	99,877		
						215,094		238,621		215,096		
		225,460		266,328								
		26,336		10,872								
		100,448		1,394								
		990										
	\$	353,234	\$	278,594	\$	268,284	\$	288,044	\$	314,973		
-												
	\$		\$		\$	540,745	\$	517,375	\$	671,739		
	•		,		•	,	,	, , , ,	·	- ,		
						894,148		878,113		880,288		
						(1,813)		(9,903)				
						47,362		73,045		198,348		
						154		149		139		
		23,057		20,802								
		1,318,071		1,482,755								
		43,900		34,173								
		(3,016)		(8,074)								
		, , ,		, , ,								
	\$	1.382.012	\$	1.529.656	\$	1.480.596	\$	1.458.779	\$	1.750.514		

# General Fund Reserved Unreserved Nonspendable (1) Restricted (1) Assigned (1) Unassigned 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)

	2016-17	2015-16	2014-15	2013-14	2012-13
Revenues	0				
Taxes	\$ 923,561	\$ 876,808	\$ 822,511	\$ 778,936	\$ 854,587
Licenses, Permits, and Franchises	28,209	27,659	24,583	24,920	15,213
Fines, Forfeitures, and Penalties	96,950	61,669	108,115	62,081	79,267
Use of Money and Property	68,498	88,211	73,700	63,611	58,441
Intergovernmental	2,172,013	2,125,136	2,064,354	2,070,245	1,940,687
Charges for Services	530,883	466,659	480,023	470,899	439,224
Other	63,949	69,436	71,207	54,406	77,464
Total Revenues	3,884,063	3,715,578	3,644,493	3,525,098	3,464,883
Expenditures					
General Government	267,663	261,387	212,805	172,195	186,145
Public Protection	1,401,694	1,289,902	1,230,878	1,194,069	1,157,676
Public Ways and Facilities	97,169	123,140	102,732	127,506	112,294
Health and Sanitation	578,772	527,482	515,560	621,891	611,369
Public Assistance	1,073,964	1,061,647	1,030,404	972,156	932,414
Education	42,564	43,928	41,949	40,008	37,239
Recreation and Cultural Services	106,356	100,381	98,001	98,388	94,051
Capital Outlay	176,308	116,569	102,863	125,781	122,639
Debt Service	,	,	,	,	,
Principal Retirement	100,119	126,319	104,756	111,486	72,499
Interest	47,089	43,039	31,513	35,107	43,777
Debt Issuance Costs				200	
Total Expenditures	3,891,698	3,693,794	3,471,461	3,498,787	3,370,103
Excess (Deficit) of Revenues		-,, -	-, , -	-,, -	
Over Expenditures	(7,635)	21,784	173,032	26,311	94,780
Other Financing Sources (Uses)					
Transfers In	653,593	396,952	338,055	294,374	274,363
Transfers Out	(631,891)	(387,373)	•	•	(268,110)
Debt Issued	31,536	127,494	31,541	39,639	78,419
Premium on Debt Issued	31,330	11,724	31,541	39,039	70,413
Principal Payment on Demand Bonds					
Refunding Bonds Issued					
Payment to Refunded Bond Escrow					
for Resale					
Capital Leases		254	43		
Loan Proceeds	175,340	254			
Total Other Financing Sources	228,578	149,051	46,035	54,726	84,672
Extraordinary Gain/(Loss)	220,370	149,051	46,035	54,726	
Net Change in Fund Balances	\$ 220,943	\$ 170,835	\$ 219,067	\$ 81,037	1,800 \$ 181,252
-	Ψ 220,343	ψ 170,000	Ψ 210,007	ψ 01,007	ψ 101,202
Debt Service as a Percentage					
of Noncapital Expenditures:	3.97%	4.73%	4.04%	4.34%	3.60%

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

			Fi	iscal Year			
2011-12 <sup>(</sup>	1)	2010-11		2009-10	2008-09	2007-08	
							Revenues
\$ •	\$	738,109	\$	741,850	\$ 727,159	\$ 719,742	Taxes
18,046		16,831		14,976	17,965	20,516	Licenses, Permits, and Franchises
80,180		93,461		102,959	112,882	89,700	Fines, Forfeitures, and Penalties
81,088		89,514		88,350	69,667	146,983	Use of Money and Property
1,846,311		1,745,066		1,769,253	1,697,017	1,743,637	Intergovernmental
435,920		478,916		418,373	443,456	423,611	Charges for Services
 66,920		64,125		65,727	89,064	91,197	Other
 3,313,262		3,226,022		3,201,488	3,157,210	3,235,386	Total Revenues
							Expenditures
170,156		207,193		211,434	277,369	252,781	General Government
1,125,831		1,068,267		1,054,947	1,117,882	1,103,442	Public Protection
126,809		110,789		106,985	110,548	117,963	Public Ways and Facilities
580,791		576,793		559,315	576,964	564,335	Health and Sanitation
909,296		911,704		903,733	878,436	851,836	Public Assistance
37,621		37,671		38,921	39,666	37,091	Education
91,753		84,506		82,826	79,889	70,084	Recreation and Cultural Services
105,207		84,311		124,077	155,286	143,468	Capital Outlay
							Debt Service
95,429		87,685		88,962	205,268	301,066	Principal Retirement
46,152		40,634		39,565	46,697	53,478	Interest
							Debt Issuance Costs
3,289,045		3,209,553		3,210,765	3,488,005	3,495,544	Total Expenditures
							Excess (Deficit) of Revenues
24,217		16,469		(9,277)	(330,795)	(260, 158)	Over Expenditures
							Other Financing Sources (Uses)
345,692		395,752		382,154	793,528	359,791	Transfers In
(336,157)		(388,274)		(370,820)	(781,397)	(345,674)	Transfers Out
10,000		36,000					Debt Issued
2,927		,					Premium on Debt Issued
·						211,065	Principal Payment on Demand Bonds
34,380						, 	Refunding Bonds Issued
(40,491)		(710)					Payment to Refunded Bond Escrow
43							for Resale
		133				2,400	Capital Leases
							Loan Proceeds
16,394		42,901		11,334	12,131	227,582	Total Other Financing Sources
(113,615)							Extraordinary Gain/(Loss)
\$ (73,004)	\$	59,370	\$	2,057	\$ (318,664)	\$ (32,576)	Net Change in Fund Balances
							Debt Service as a Percentage
4.44%		4.12%		4.18%	7.54%	10.43%	of Noncapital Expenditures:
7.44 70		7.1∠/0		7.10%	1.J <del>4</del> 70	10.40/0	or Norioapital Experiultures.

# Assessed Value of Taxable Property (1) Last Ten Fiscal Years

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property <sup>(2)</sup>	Unsecured Roll Gross Total <sup>(3)</sup>		
2016-17	\$ 400,931,553	\$ 114,636,194	\$ 2,787,769	\$ 20,582,609		
2015-16	377,592,570	110,440,476	3,294,159	20,394,462		
2014-15	352,800,864	105,523,254	3,694,094	20,902,660		
2013-14	328,138,473	102,580,010	3,792,261	19,281,087		
2012-13	315,635,908	100,074,695	3,489,057	19,905,480		
2011-12	310,211,002	96,431,670	2,848,162	20,634,672		
2010-11	304,895,403	97,097,750	3,038,747	21,198,638		
2009-10	302,855,181	100,686,715	2,814,952	21,516,171		
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		

Notes:

Source: Orange County Assessor Department

<sup>(1)</sup> Article XIIIA, 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.

<sup>(2)</sup> Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.

<sup>(3)</sup> 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).

Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent <sup>(1)</sup>
\$ 538,938,125	\$ (12,807,570)	\$ 526,130,555	1.00
511,721,667	(12,722,344)	498,999,323	1.00
482,920,872	(11,661,965)	471,258,907	1.00
453,791,831	(10,943,554)	442,848,277	1.00
439,105,140	(10,634,193)	428,470,947	1.00
430,125,506	(9,729,486)	420,396,020	1.00
426,230,538	(9,452,472)	416,778,066	1.00
427,873,019	(9,063,739)	418,809,280	1.00
432,065,100	(8,051,290)	424,013,810	1.00
415,491,877	(6,757,810)	408,734,067	1.00

# COUNTY OF ORANGE Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (Rate Per \$1,000 of Assessed Value) (4)

	Direct Rate (1)					
Fiscal Year	County General	School Districts	Local Special Districts	Cities	Public Utility	Total Direct & Overlapping Rates
2016-17	1.00000	0.04840	0.01316	0.00659	0.00270	1.07085
2015-16	1.00000	0.05101	0.01455	0.00670	0.00227	1.07453
2014-15	1.00000	0.04579	0.04438	0.00681	(3)	1.09698

Notes:

Source: Auditor-Controller, County of Orange

<sup>(1)</sup> Article XIIIA, 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.

<sup>(2)</sup> These overlapping rates are in addition to the County General rate, but only apply to taxpayers within the borders of the school districts, local special districts, cities, and public utilities that lie within the County.

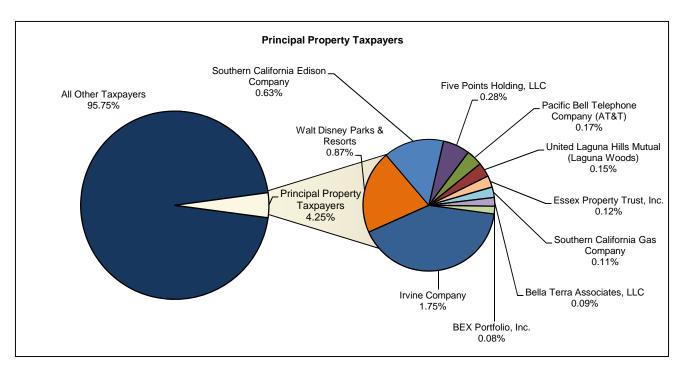
<sup>(3)</sup> No rate was available for Public Utility in FY 2014-15.

<sup>(4)</sup> The schedule is presented to show information for 10 years. However, a full 10-year trend is not currently available; the County will be adding years in the future.



#### Principal Property Taxpayers Current Year and Nine Years Ago

			201	17	2008				
Taxpayer	Actual Taxes Levied		Rank	Percentage of Total Taxes Levied	Ac	tual Taxes Levied	Rank	Percentage of Total Taxes Levied	
Irvine Company	\$	106,206	1	1.75%	\$	55,806	1	1.12%	
Walt Disney Parks & Resorts US		52,961	2	0.87%		39,452	2 & 8	0.80%	
Southern California Edison Company		38,592	3	0.63%		19,195	4	0.39%	
Five Points Holding, LLC		17,221	4	0.28%					
Pacific Bell Telephone Company (AT&T)		10,181	5	0.17%		7,389	9	0.15%	
United Laguna Hills Mutual (Laguna Woods)		9,145	6	0.15%		7,895	7	0.16%	
Essex Property Trust, Inc.		7,305	7	0.12%					
Southern California Gas Company		6,777	8	0.11%					
Bella Terra Associates, LLC		5,740	9	0.09%					
BEX Portfolio, Inc.		4,999	10	0.08%					
Irvine Apartment Communities						22,146	3	0.45%	
Irvine Community Development						9,869	5	0.20%	
Heritage Fields El Toro LLC						8,586	6	0.17%	
Irvine Co. of W VA						5,844	10	0.12%	
Total	\$	259,127		4.25%	\$	176,182		3.56%	

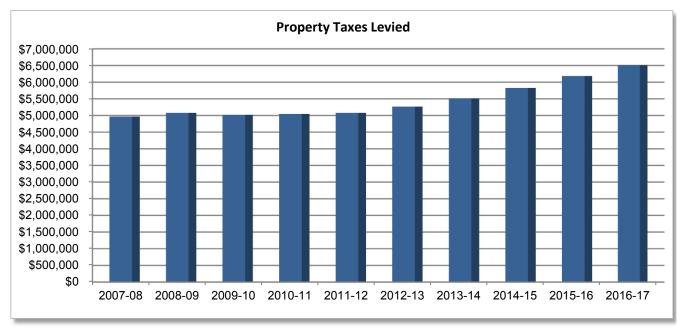


Note: The base used for the Percentage of Total Taxes Levied for 2017 includes total secured taxes of \$6,082,465.

Source: Treasurer-Tax Collector, County of Orange

#### Property Tax Levies and Collections Last Ten Fiscal Years

Taxes Levied for the			Collections of Delinquent Taxes from	Total Collections for the Fiscal Year <sup>(3)</sup>			
Fiscal Year (1)	Amount	Percentage of Levy	Prior Years (4)	Amount	Percentage of Levy		
\$ 6,511,944	\$ 6,446,780	99.00%	\$	\$ 6,446,780	99.00%		
6,183,862	6,119,771	98.96%	38,105	6,157,876	99.58%		
5,828,106	5,759,699	98.83%	49,442	5,809,141	99.67%		
5,509,379	5,444,912	98.83%	48,522	5,493,434	99.71%		
5,265,844	5,194,193	98.64%	55,393	5,249,586	99.69%		
5,079,589	5,002,490	98.48%	81,634	5,084,124	100.09%		
5,045,802	4,960,748	98.31%	33,682	4,994,430	98.98%		
5,019,061	4,904,188	97.71%	20,909	4,925,097	98.13%		
5,076,796	4,901,574	96.55%	15,648	4,917,222	96.86%		
4,965,990	4,784,438	96.34%	6,919	4,791,357	96.48%		
	for the Fiscal Year (1)  \$ 6,511,944 6,183,862 5,828,106 5,509,379 5,265,844 5,079,589 5,045,802 5,019,061 5,076,796	for the Year of Amount  \$ 6,511,944 \$ 6,446,780 6,183,862 6,119,771 5,828,106 5,759,699 5,509,379 5,444,912 5,265,844 5,194,193 5,079,589 5,002,490 5,045,802 4,960,748 5,019,061 4,904,188 5,076,796 4,901,574	for the         Year of the Levy         (2)           Fiscal Year (1)         Amount         Percentage of Levy           \$ 6,511,944         \$ 6,446,780         99.00%           6,183,862         6,119,771         98.96%           5,828,106         5,759,699         98.83%           5,509,379         5,444,912         98.83%           5,265,844         5,194,193         98.64%           5,079,589         5,002,490         98.48%           5,045,802         4,960,748         98.31%           5,019,061         4,904,188         97.71%           5,076,796         4,901,574         96.55%	Taxes Levied for the form for the for the form for the for the form for the for for the form	Taxes Levied for the form of the fo		



Notes:

- (1) Total tax levy includes secured, supplemental, unsecured and former redevelopment agency increment, including penalties.
- (2) Total tax collections include penalties.
- (3) Total collections include collections of current year taxes and collections related to prior year levies.

  The percentage of levy represents the ratio of total collections to the taxes levied for that fiscal year.
- (4) No amounts are shown because the property taxes levied will be collected in the following year.

Source: Auditor-Controller, County of Orange

#### Ratios of Outstanding Debt (1) by Type Last Ten Fiscal Years (in Thousands Except Per Capita) (Accrual Basis of Accounting)

#### Governmental Activities

Governmental / totavities										
Fiscal Year	Refunding Recovery Bonds <sup>(6)</sup>	Redevelopment Bonds (2)	Certificates of Participation (5)	Pension Obligation Bonds <sup>(5)</sup>	Teeter Plan Revenue Bonds	Teeter Plan Notes	SARI Line Loans	Civic Center Facilities Master Plan Financing		
2016-17	\$	\$	\$ 811	\$ 11,220	\$	\$ 27,868	\$ 23,900	\$ 175,340		
2015-16			1,262	19,140		30,191	28,022			
2014-15			1,744	27,227		33,823	36,277			
2013-14	19,172		2,262	32,193		39,830	47,410			
2012-13	35,317		2,822	37,925		43,486	59,892			
2011-12	51,600		3,422	47,523			40,328			
2010-11	67,028	47,009	4,064	54,680			33,999			
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					

Notes:

Source: Auditor-Controller, County of Orange

<sup>(1)</sup> Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.

<sup>(2)</sup> 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 11, Conduit Debt Obligations and Successor Agency Debt.
(3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all the risks and benefits of ownership.

<sup>(4)</sup> See demographic and economic statistics schedule for personal income and population data. For years prior to FY 2012-13, the personal income ratio and the debt per capita amounts were calculated using personal income and population from the prior fiscal year.

(5) Beginning FY 2012-13, outstanding debt does not include Interest Accretion on capital appreciation bonds (CAB), this was separated and numbers were restated.

<sup>(6)</sup> Beginning FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB Statement No. 65. Prior years have not been

<sup>(7)</sup> Lease Revenue bonds and Airport Revenue bonds include unamortized premiums and discounts.

 Business-Type Activities								e Activities							
Lease Revenue onds <sup>(6), (7)</sup>		Capital Lease igations <sup>(3)</sup>	A	nterest ccretion on CAB	Re	irport evenue onds <sup>(7)</sup>		ste Managem stem Revenu Bonds			l Primary rernment	Percer of Pers	sonal	(	Per Capita <sup>(4)</sup>
\$ 88,352	\$	55,831	\$	46,641	\$ 1	87,318	\$			\$	617,281	(	0.31%	\$	193
141,145		67,928		73,926	1	95,127					556,741	(	0.29%		175
105,880		79,168		96,303	2	202,536					582,958	(	0.31%		185
137,115		62,446		103,377	2	209,804					653,609	(	0.34%		210
155,828		67,353		110,084	2	240,540		7,0	018		760,265	(	0.41%		247
181,097		71,755			2	248,900		13,6	666		658,291	(	0.40%		215
249,924		76,074			2	256,683		19,9	921		809,382	(	0.51%		269
309,517		80,114			2	264,099		25,7	738		874,905	(	0.57%		276
365,850		84,952				33,502		31,1	144		738,173	(	0.50%		235
420,668		90,769				89,897		36,1	177	1	,003,195	(	0.65%		321

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

General Debt Outstanding

Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds <sup>(3)</sup>	Restricted for Debt Payments (3)	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita <sup>(2)</sup>
2016-17	\$	\$ 53,985	\$ 53,985	\$	0.00%	\$
2015-16		87,521	87,521		0.00%	
2014-15		116,494	116,494		0.00%	
2013-14	19,172	127,206	127,206	19,172	0.00%	6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	51,600	47,523	47,523	51,600	0.01%	17
2010-11	67,028	54,680	54,680	67,028	0.02%	22
2009-10	81,619	59,331	59,331	81,619	0.02%	26
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

Notes:

Source: Auditor Controller, County of Orange

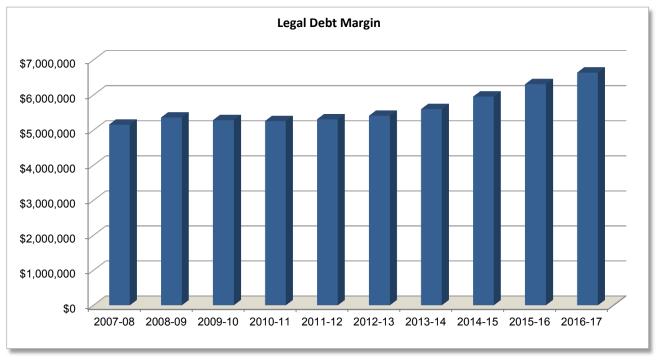
<sup>(1)</sup> Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.

<sup>(2)</sup> See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.

<sup>(3)</sup> Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

#### Legal Debt Margin as a Percentage of Debt Limit Last Ten Fiscal Years

Fiscal Year	A:	ssessed Value <sup>(1)</sup>	Leg	al Debt Limit	Applic	Net Debt cable to mit	L	egal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2016-17	\$	531,052,158	\$	6,638,152	\$		\$	6,638,152	0%
2015-16		504,650,360		6,308,130				6,308,130	0%
2014-15		476,303,290		5,953,791				5,953,791	0%
2013-14		447,749,156		5,596,864				5,596,864	0%
2012-13		432,902,274		5,411,278				5,411,278	0%
2011-12		424,769,642		5,309,621				5,309,621	0%
2010-11		420,751,575		5,259,395				5,259,395	0%
2009-10		422,965,596		5,287,070				5,287,070	0%
2008-09		428,809,224		5,360,115				5,360,115	0%
2007-08		412,669,779		5,158,372				5,158,372	0%



Note:

Source: Auditor-Controller, County of Orange

<sup>(1)</sup> Starting from FY 2007-08, Assessed Value includes the State assessed properties.

<sup>(2)</sup> 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 XIIIA, section 1 requires the approval of 2/3 of the voting on the proposition.

#### Pledged Revenue Coverage<sup>(1)</sup> Last Ten Fiscal Years

	South Orange County Public Financing Authority							Orar	nge County F	Public Facilities	Corporation	n Bonds			
Fur	nding	Source:	Interest Earni	ngs, R	ents and Co		d Transfers Service	-	Fundi	ng Source:	Interest Earni	ngs and Transfers	Debt Se	ervice	
Fiscal Year		Gross levenue	Operating Expenses		Available evenue	Principal	Interest	Coverage	Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2016-17	\$	10,465	\$	\$	10,465	\$ 7,335	\$ 2,974	1.02	2016-17	\$ 2,405	\$ 8	\$ 2,397	\$ 451	\$ 2,157	0.92
2015-16		5,828	271		5,557	4,920	906	0.95	2015-16	2,470		2,470	482	2,121	0.95
2014-15		5,830			5,830	4,780	1,049	1.00	2014-15	2,475		2,475	518	2,090	0.95
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
		Ora	ange County	Pub	lic Financi	ng Authority	y					Teeter Plan No	tes		
Fur	nding		Interest Earni			•			Fundi	ng Source:		Teeter Plan No			
Fur	nding		<u> </u>			ncessions, and			Fundi	ng Source:				ervice	
Fur Fiscal Year			<u> </u>	ngs, R	ents and Co	Debt S	d Transfers Service	Coverage	Fundi	Gross	Delinquent Properties		ected Debt Se		Coverage
Fiscal		Source:	Interest Earnin Operating	ngs, R	ents and Co : Available evenue	ncessions, and	d Transfers	Coverage 0.24	Fiscal	Gross Revenue	Delinquent Pr	roperty Taxes Colle Net Available Revenue	ected	ervice Interest \$ 600	Coverage 0.76
Fiscal Year	R	Gross devenue 10,189	Operating Expenses	ngs, R Net R	Available evenue	Debt S  Principal  \$ 41,235	Interest \$ 1,587	0.24	Fiscal Year (2)	Gross Revenue \$ 26,232	Operating Expenses \$ 154	Net Available Revenue \$ 26,078	Debt So	Interest \$ 600	0.76
Fiscal Year 2016-17	R	Gross devenue	Operating Expenses	ngs, R Net R	ents and Co : Available evenue	Debt S	d Transfers Service		Fiscal Year (2) 2016-17	Gross Revenue	Operating Expenses	roperty Taxes Colle Net Available Revenue	Principal \$ 33,859 74,561	Interest	
Fiscal Year 2016-17 2015-16	R	Gross devenue 10,189 44,418	Operating Expenses	ngs, R Net R	Available evenue 10,189 44,418	Principal \$ 41,235 25,420	Interest \$ 1,587 3,235	0.24 1.55	Fiscal Year (2) 2016-17 2015-16	Gross Revenue \$ 26,232	Operating Expenses \$ 154 210	Net Available Revenue \$ 26,078	Principal \$ 33,859 74,561	Interest \$ 600 347	0.76 0.00
Fiscal Year 2016-17 2015-16 2014-15	R	Gross devenue 10,189 44,418 29,928	Operating Expenses	ngs, R Net R	Available evenue 10,189 44,418 29,928	Principal \$ 41,235 25,420 24,235	Interest \$ 1,587 3,235 4,455	0.24 1.55 1.04	Fiscal Year (2) 2016-17 2015-16 2014-15	Gross Revenue \$ 26,232 316 174	Operating Expenses \$ 154 210 2,954	Net Available Revenue \$ 26,078 106 (2,780)	Principal  \$ 33,859  74,561 3) 37,548	Interest \$ 600 347 352	0.76 0.00 (0.07)
Fiscal Year 2016-17 2015-16 2014-15 2013-14	R	Gross tevenue 10,189 44,418 29,928 29,949	Operating Expenses	ngs, R Net R	Available evenue 10,189 44,418 29,928 29,949	Principal  \$ 41,235  25,420  24,235  23,115	Interest \$ 1,587 3,235 4,455 5,605	0.24 1.55 1.04 1.04	Fiscal Year (2) 2016-17 2015-16 2014-15 2013-14	Gross Revenue \$ 26,232 316 174 11,147	Operating Expenses \$ 154 210 2,954 251	Net Available Revenue \$ 26,078 106 (2,780) 10,896	Principal  \$ 33,859  74,561  3) 37,548  43,295	Interest \$ 600 347 352 413	0.76 0.00 (0.07) 0.25
Fiscal Year 2016-17 2015-16 2014-15 2013-14 2012-13	R	Gross tevenue 10,189 44,418 29,928 29,949 29,952	Operating Expenses	ngs, R Net R	Available evenue 10,189 44,418 29,928 29,949 29,952	Principal \$ 41,235 25,420 24,235 23,115 22,160	Interest \$ 1,587 3,235 4,455 5,605 6,638	0.24 1.55 1.04 1.04 1.04	Fiscal Year (2) 2016-17 2015-16 2014-15 2013-14 2012-13	Gross Revenue \$ 26,232 316 174 11,147 15,706	Operating Expenses \$ 154 210 2,954 251	Net Available Revenue \$ 26,078 106 (2,780) 10,896	Principal  \$ 33,859  74,561  3) 37,548  43,295	Interest \$ 600 347 352 413 327	0.76 0.00 (0.07) 0.25
Fiscal Year 2016-17 2015-16 2014-15 2013-14 2012-13 2011-12	R	Gross levenue  10,189 44,418 29,928 29,949 29,952 35,697	Operating Expenses	ngs, R Net R	Available evenue  10,189 44,418 29,928 29,949 29,952 35,697	Principal \$ 41,235 25,420 24,235 23,115 22,160 61,630	Interest \$ 1,587 3,235 4,455 5,605 6,638 10,837	0.24 1.55 1.04 1.04 1.04 0.49	Fiscal Year (2) 2016-17 2015-16 2014-15 2013-14 2012-13 2011-12	Gross Revenue \$ 26,232 316 174 11,147 15,706	Operating Expenses \$ 154 210 2,954 251 1,032	Net Available Revenue \$ 26,078 106 (2,780) 10,896	Principal  \$ 33,859  74,561  3) 37,548  43,295	\$ 600 347 352 413 327	0.76 0.00 (0.07) 0.25
Fiscal Year 2016-17 2015-16 2014-15 2013-14 2012-13 2011-12 2010-11	R	Gross levenue 10,189 44,418 29,928 29,949 29,952 35,697 74,725	Operating Expenses	ngs, R Net R	Available evenue 10,189 44,418 29,928 29,949 29,952 35,697 74,725	Principal \$ 41,235 25,420 24,235 23,115 22,160 61,630 58,990	Interest \$ 1,587 3,235 4,455 5,605 6,638 10,837 13,643	0.24 1.55 1.04 1.04 1.04 0.49 1.03	Fiscal Year (2) 2016-17 2015-16 2014-15 2013-14 2012-13 2011-12 2010-11	Gross Revenue \$ 26,232 316 174 11,147 15,706	Operating Expenses \$ 154 210 2,954 251 1,032	Net Available Revenue \$ 26,078 106 (2,780) 10,896	Principal \$ 33,859 74,561 3) 37,548 43,295 14,449	\$ 600 347 352 413 327	0.76 0.00 (0.07) 0.25

Airport Revenue Bonds

Funding Source: Rents and Concessions, Other Charges for Services, Misc Revenue, Interest Earnings, and Available Passenger Facility Charge Revenue

Debt Service

Fiscal Year	F	Gross Revenue	perating openses	Available evenue	Р	rincipal	li	nterest	Coverage
2016-17	\$	143,707	\$ 89,055	\$ 54,652	\$	7,530	\$	9,999	3.12
2015-16		143,661	82,833	60,828		7,205		10,338	3.47
2014-15		135,491	82,558	52,933		6,995		10,603	3.01
2013-14		131,285	84,708	46,577		30,473		11,395	1.11
2012-13		126,966	79,739	47,227		9,250		12,250	2.20
2011-12		124,403	77,628	46,775		7,851		12,592	2.29
2010-11		120,088	70,521	49,567		7,460		12,906	2.43
2009-10		121,761	68,771	52,990		2,865		7,163	5.28
2008-09		115,026	67,749	47,277		13,480		4,567	2.62
2007-08		118,105	63,174	54,931		12,765		5,280	3.04

(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.

Source: Auditor-Controller, County of Orange

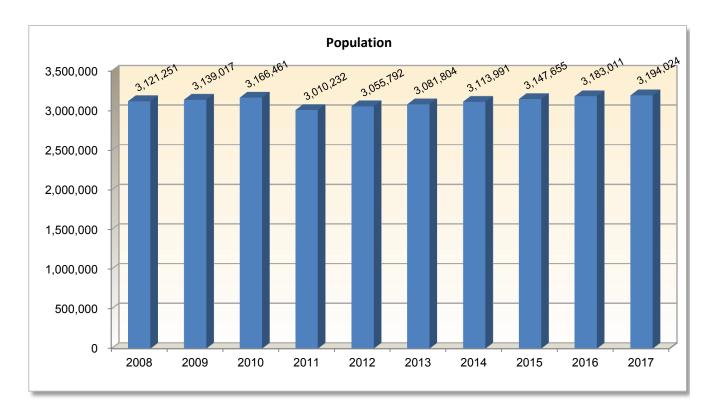
Notes:

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

<sup>(3)</sup> For FY 2014-15, there is a deficit balance for Net Available Revenue due to the change in Teeter Plan Reserve methodology.

#### Demographic and Economic Statistics Last Ten Calendar Years

Year	Population (1)	Personal Income (2)	Per Capita Personal Income (Absolute Dollars) (2)	Median Age <sup>(3)</sup>	Public School Enrollment (In Thousands) (4)	Unemployment Rate <sup>(5)</sup>
2017	3,194,024	\$ 199,492,000	\$ 62,458	N/A	490,430	4.2%
2016	3,183,011	190,978,000	59,999	37.1	493,030	4.4%
2015	3,147,655	185,500,000	58,933	36.7	497,116	4.0%
2014	3,113,991	177,412,900	56,973	36.4	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.7%
2012	3,055,792	166,345,500	54,436	36.7	502,195	8.1%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%
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%



N/A means Not Available

#### Sources:

- (1) California Department of Finance, Demographic Research Unit, <a href="http://www.dof.ca.gov">http://www.dof.ca.gov</a>
- (2) Chapman University Economic & Business Review.
- (3) U.S. Census Bureau, American Community Survey, <a href="http://www.census.gov">http://www.census.gov</a>, 2017 N/A
- (4) California Department of Education, <a href="http://www.cde.ca.gov">http://www.cde.ca.gov</a>
- (5) State of California, Employment Development Department, <a href="http://www.edd.ca.gov/">http://www.edd.ca.gov/</a>

## Principal Employers Current Year and Nine Years Ago

#### 2017

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	29,000	1	1.80%
University of California, Irvine	23,605	2	1.46%
County of Orange	18,264	3	1.13%
St. Joseph Health System	11,925	4	0.74%
Allied Universal	8,229	5	0.51%
Kaiser Permanente	7,694	6	0.48%
Boeing Co.	6,103	7	0.38%
Wal-Mart	6,000	8	0.37%
California State University, Fullerton	5,781	9	0.36%
Bank of America	5,500	10	0.34%

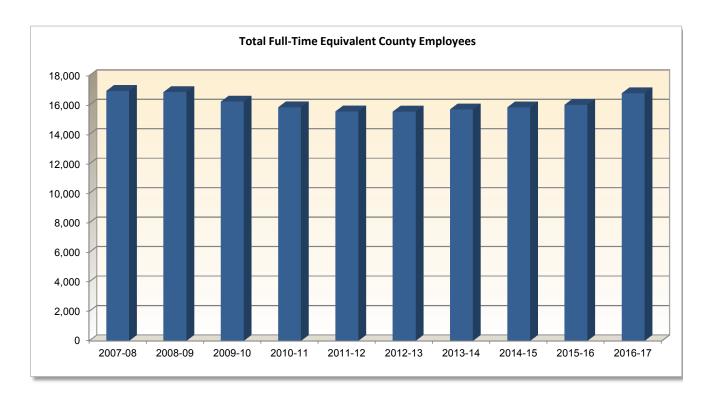
#### 2008

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.22%
County of Orange	18,748	2	1.14%
University of California, Irvine	17,579	3	1.07%
St. Joseph Health System	10,047	4	0.61%
Boeing Co.	9,961	5	0.61%
Yum! Brands Inc.	7,200	6	0.44%
AT&T Incorporated	6,000	7	0.37%
California State University, Fullerton	5,634	8	0.34%
Home Depot, Incorporated	5,450	9	0.33%
Memorial Health Services Inc.	4,956	10	0.30%

Source: Orange County Business Journal Book of Lists - County of Orange http://www.labormarketinfo.edd.ca.gov

#### Full-time Equivalent County Employees by Function Last Ten Fiscal Years

Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13(2)	2011-12	2010-11	2009-10	2008-09	2007-08
General Government	1,511	1,419	1,341	1,322	1,273	1,279	1,314	1,346	1,383	1,377
Public Protection	6,915	6,642	6,674	6,760	6,781	6,653	6,692	6,879	7,298	7,226
Public Ways and Facilities	431	435	440	478	508	542	569	585	622	621
Health and Sanitation	2,409	2,253	2,198	2,128	2,137	2,209	2,292	2,346	2,507	2,550
Public Assistance	4,529	4,306	4,239	4,043	3,876	3,867	3,935	4,023	4,000	4,123
Education	309	302	286	290	286	307	324	325	350	360
Recreation and Cultural Services	298	272	265	274	268	283	289	285	277	264
Airport	153	154	159	162	167	168	168	169	168	161
Waste Management	249	233	241	249	255	257	261	267	272	270
CFCOC	9	11	11	11	11	13	14	16	17	17
Total Full-time Equivalent Employees <sup>(1)</sup>	16,813	16,027	15,854	15,717	15,562	15,578	15,858	16,241	16,894	16,969



Note: (1) Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).

(2) Updated FY 2012-13 numbers due to revaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

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

			F	iscal Year		
Function/Program	 2016-17	2015-16		2014-15	2013-14	2012-13
General Government						
Auditor-Controller						
Property Tax Bills Prepared	1,127,725	1,141,652		1,216,325	1,220,750	1,186,238
Assessor						
Number of Real Property Valued	937,630	930,470		924,791	918,672	914,489
Number of Unsecured Property Assessed	121,665	141,224		145,151	135,551	139,865
New Parcels Created and Mapped	9,053	6,665		6,918	4,519	8,175
New Construction Events	21,254	19,397		18,530	16,904	17,173
County Executive Office Volunteer Program Service Hours	645,482	613,277		638,230	700,759	815,407
Clerk-Recorder						
Marriage Licenses Issued	25,309	23,725		23,553	25,244	22,502
Marriage Ceremonies Performed	12,876	11,122		11,213	12,056	*
Copies of Birth Certificates Issued	85,051	74,508		79,826	82,268	81,775
Property-Related Document Recordings	640,243	617,914		651,866	580,899	839,353
Passport Applications Filed	9,437	7,093		5,016	2,686	*
Treasurer-Tax Collector						
Orange County Investment Pool Income (1)	\$ 36,677	\$ 24,877	\$	14,581	\$ 11,298	\$ 12,958
Assets Under Management (1)	\$ 9,092,268	\$ 8,271,502	\$	7,604,246	\$ 6,566,145	\$ 6,490,056
Number of Property Tax Bills	1,448,886	1,367,275		1,381,808	1,421,654	1,347,596
Percentage of Secured Tax Bill Collection	99.39%	99.26%		99.21%	99.16%	98.94%
Number of Incoming Phone Calls	108,061	111,948		121,461	115,123	150,830
Percentage of Electronic Payments	57.2%	54.9%		54.2%	53.8%	49.4%
Secured Tax Bill Reminders	40,898	38,213		35,917	31,988	28,664
Property Tax Payments by eCheck	348,961	309,977		285,932	248,908	213,146
Registrar of Voters						
Registered Voters	1,535,967	1,395,380		1,424,216	1,411,232	1,683,001
Highest Number of Ballots Cast	1,239,405	691,802		640,358	340,187	1,133,204
Elections Conducted	1	4		7	3	2
Public Protection						
Sheriff-Coroner	044 400	044.750		007.004	224 224	007.447
Patrolled Cities Population	644,496	641,753		637,261	631,934	627,447
Patrolled Unincorporated Areas Population	125,792	125,420		104 014	101 170	120,396
Number of Bookings to Orange County	125,792	125,420		124,014	121,473	120,390
Jail System	56,330	56.163		56.135	61,262	63,439
Average Daily Jail Head Count	6,220	6,028		6,055	7,039	6,805
District Attorney	-,	-,		2,222	.,	-,
Defendants Prosecuted - Adult	61,219	61,521		56,233	55,906	57,873
Defendants Prosecuted - Juvenile	3,631	3,564		4,482	5,103	6,651
Probation	-,	-,		, -	.,	-,
Physical Arrests - Adult	*	*		*	*	2,947
Physical Arrests - Juvenile	*	*		*	*	640
Probationers under Supervision as of						
June 30th-Adult	11,189	11,714		10,725	14,425	14,186
Probationers under Supervision as of						
June 30th-Juvenile	2,290	2,550		3,124	4,156	4,984
Avg. Daily Juvenile Hall Population	150	130		150	229	320
Avg. Daily Camp Population	136	143		203	182	193
Public Defender						
Cases Appointed Annually	61,878	65,574		79,119	74,101	77,073
•••						

Note: (1) Dollar amounts in thousand

(2) \* means Not Available

Sources: County Departments

Fiscal Year									
	2011-12		2010-11		2009-10		2008-09	2007-08	Function/Program
	1,153,816		1,189,320		1,144,933		1,148,720	1,149,007	General Government Auditor-Controller Property Tax Bills Prepared
	901,840 159,464 3,649		899,644 161,005 2,739		897,547 168,208 9,413		888,770 169,821 9,185	881,233 176,584 10,252	Assessor Number of Real Property Valued Number of Unsecured Property Assessed New Parcels Created and Mapped
	17,129 885,416		9,372 935,284		13,172 882,680		16,565 839,125	19,380 675,285	New Construction Events  County Executive Office  Volunteer Program Service Hours
	22,415		20,868		20,292		21,339	20,894	Clerk-Recorder  Marriage Licenses Issued  Marriage Ceremonies Performed
	83,611 741,935 *		85,773 725,323 *		87,999 669,332 *		98,231 629,373 *	117,226 658,005 *	Copies of Birth Certificates Issued Property-Related Document Recordings Passport Applications Filed
									Treasurer-Tax Collector
\$	17,978	\$	22,295	\$	35,656	\$	67,242	\$ 141,824	Orange County Investment Pool Income (1)
\$	5,922,768 1,257,709 98.51% 148,463 51.1% 25,451 181,151	\$	6,183,195 1,382,198 98.35% 162,955 49.3% 21,027 143,136	\$	5,975,392 1,362,221 97.61% 160,067 43.8% * 126,942	\$	5,963,577 1,367,901 96.30% 178,420 40.8% * 112,114	\$ 6,064,067 1,472,466 96.13% 175,149 41.2% *	Assets Under Management (1) Number of Property Tax Bills Percentage of Secured Tax Bill Collection Number of Incoming Phone Calls Percentage of Electronic Payments Secured Tax Bill Reminders Property Tax Payments by eCheck
	1,612,145 145,474 2		1,621,934 898,205 5		1,603,312 482,708 5		1,607,989 1,167,657 4	1,566,951 748,910 5	Registrar of Voters Registered Voters Highest Number of Ballots Cast Elections Conducted
									Public Protection
	557,403		553,148		584,947		581,109	575,909	Sheriff-Coroner Patrolled Cities Population Patrolled Unincorporated Areas
	119,698 65,256		121,488 63,615		120,088 58,322		119,480 61,778	118,136 64,596	Population  Number of Bookings to Orange County  Jail System
	6,265		5,721		5,171		6,090	6,183	Average Daily Jail Head Count District Attorney
	61,759 6,743		64,418 7,907		64,969 6,894		70,058 7,740	69,507 9,076	Defendants Prosecuted - Adult Defendants Prosecuted - Juvenile
	-,		.,		-,		.,	5,515	Probation
	2,307		1,926		1,822		1,725	2,470	Physical Arrests - Adult
	467		488		685		595	1,051	Physical Arrests - Juvenile Probationers under Supervision as of
	14,788		13,243		13,476		15,022	16,223	June 30th-Adult Probationers under Supervision as of
	5,399		5,792		6,527		6,492	6,569	June 30th-Juvenile
	315 169		417 194		428 191		455 310	490 438	Avg. Daily Juvenile Hall Population Avg. Daily Camp Population

79,052

83,029

73,487

77,661

76,191

Public Defender

Cases Appointed Annually

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

		Fi	scal Year		
Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13
Recreation and Cultural Services					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	2,940	2,782	1,466	1,154	4,102
Native Vegetation Restoration (acres)	262	293	312	368	843
New Open Space Management (acres)					
Dana Point Harbor					
Slip and Dry Storage Tenants	438	2,903	3,204	2,679	2,700
Boat Launches	16,303	17,695	15,511	15,606	15,037
Sailing and Event Center Participants	80,752	50,000	75,000	111,838	115,996
Ocean Institute Students/Visitors	127,361	192,384	41,000	100,000	108,668
Hotel Guests	39,140	43,515	43,073	42,887	41,141
Catalina Express Passengers	128,000	25,711	123,688	123,257	123,257
Special Events at the Harbor	6	8	12	15	16
Public Ways and Facilities					
OC Public Works (OCPW)					
Building and Home Inspections	39,056	40,662	30,324	31,772	19,368
Health and Sanitation					
OC Community Resources					
Animal Licenses	171,237	192,470	198,358	192,320	191,098
Health Care Agency					
911 Emergency Medical Services Responses	204,683	193,538	183,794	170,804	171,420
Retail Food Facility Inspections Conducted	32,305	26,195	31,397	32,689	34,953
Hazardous Waste Inspections Conducted	7,271	8,328	5,950	4,616	6,058
Number of Home Visits by Public Health Nurses	32,108	29,219	31,258	35,101	34,953
Number of Low Income Children Dental Health	044	400		4.00=	4 40=
Services	311	496	755	1,225	1,107
Number of Ocean Water Days of Closure	47	00	0.4	00	0
(In Beach-Miles)	17	22	24	20	8
Public Assistance					
OC Community Resources	47.567	40.074	42.040	E0 044	40 400
Adult Day Care Hours of Service	47,567 1,417,361	49,971 1,374,275	43,010	50,944	49,129 1,360,601
Elderly Nutrition Program Meals Delivered One-Way Transportation Trips Provided to Seniors	190,534	1,374,275	1,406,526 180,899	1,347,251 187,864	155,003
	190,554	190,001	100,099	107,004	155,005
Social Service Agency	047 400	040.000	710 001	504.070	100 550
Average Monthly Medi-Cal Recipients	817,408	810,388	718,061	521,078	430,559
Average Monthly Child Abuse Hotline Calls	4,076	4,259	4,049	3,674	3,009
Average Monthly CalFresh (formerly Food	250 772	262 556	250 676	247 517	220.064
Stamp) Recipients	250,772	263,556	258,676	247,517	230,964
Average Monthly In-Home Supportive Services Average Persons Receiving Cash Assistance	24,427 46,369	22,635 52,081	20,787 55,921	19,652 55,225	19,663 55,008
Average Children in Foster Care/Relative Care	1,886	1,791	1,924	2,119	2,213
Average Elder and Adult Abuse Unduplicated	1,000	1,751	1,524	2,113	2,210
Reports Received	995	942	815	710	636
Education					
OC Community Resources					
Total Volumes Borrowed at Library Branches	6,864,635	6,634,747	6,411,127	6,642,739	6,564,262
Airport	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-,,	-, ,	-,- ,	.,,
Passengers	10,373,714	10,361,436	9,608,873	9,304,295	9,124,172
Air Cargo Tonnage	17,813	18,568	16,997	17,564	17,821
Takeoffs & Landings	285,704	276,817	264,726	252,166	252,506
Waste Management	, -	-,-	, -	,	,
Solid Waste Tonnage	4,810,116	4,772,722	4,581,359	4,070,238	3,428,657
Gallons of Leachate and Impacted	1,010,110	1,112,122	1,001,000	1,010,200	0, 120,001
Ground Water Collected	5,599,757	3,542,736	5,510,821	3,854,530	3,116,108
	,, -	, ,	, -,-	, ,	, -,

<sup>\*</sup> means Not Available

Sources: County Departments

		Fiscal Year						
2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program			
					Recreation and Cultural Services			
					OC Community Resources			
4,042	629	61	1,475	*	Exotic Invasive Plant Removal (acres)			
994	2,448	82	144	*	Native Vegetation Restoration (acres)			
				250	New Open Space Management (acres)			
					Dana Point Harbor			
2,237	2,748	2,750	2,836	2,932	Slip and Dry Storage Tenants			
14,327	15,150	18,759	19,903	22,247	Boat Launches			
111,959	108,070	83,738	66,163	54,371	Sailing and Event Center Participants			
110,059	125,000	125,060	126,957	116,218	Ocean Institute Students/Visitors			
36,800	26,972	25,252	28,650	26,940	Hotel Guests			
120,945	114,176	106,305	111,648	114,000	Catalina Express Passengers			
16	16	16	16	16	Special Events at the Harbor			
					Public Ways and Facilities			
					OC Public Works (OCPW)			
15,591	13,215	11,222	24,731	31,363	Building and Home Inspections			
					Health and Sanitation			
					OC Community Resources			
200,755	173,570	176,123	158,202	155,875	Animal Licenses			
					Health Care Agency			
168,172	156,638	158,863	160,369	150,545	911 Emergency Medical Services Responses			
35,025	34,962	36,445	33,146	33,451	Retail Food Facility Inspections Conducted			
5,444	6,237	6,600	5,847	6,194	Hazardous Waste Inspections Conducted			
32,498	29,260	30,091	29,505	30,447	Number of Home Visits by Public Health Nurses			
4.044	4.500	4 500	070	200	Number of Low Income Children Dental Health			
1,344	1,533	1,520	979	660	Services			
0.93	61	20	26	11	Number of Ocean Water Days of Closure (In Beach-Miles)			
0.55	01	20	20		·			
					Public Assistance OC Community Resources			
70,267	93,425	92,964	101,732	89,584	Adult Day Care Hours of Service			
1,636,379	1,846,571	1,796,596	1,725,058	1,736,877	Elderly Nutrition Program Meals Delivered			
184,476	287,611	213,832	233,382	225,783	One-Way Transportation Trips Provided to Seniors			
					Social Service Agency			
418,649	403,142	376,101	343,222	326,506	Average Monthly Medi-Cal Recipients			
2,880	3,003	3,165	3,242	3,427	Average Monthly Child Abuse Hotline Calls			
_,	2,222	2,122	-,	2,	Average Monthly CalFresh (formerly Food			
213,919	185,489	150,141	109,491	88,284	Stamp) Recipients			
19,240	18,335	17,595	16,364	14,425	Average Monthly In-Home Supportive Services			
56,847	58,770	53,214	44,115	38,840	Average Persons Receiving Cash Assistance			
2,128	2,148	2,336	2,466	2,797	Average Children in Foster Care/Relative Care			
					Average Elder and Adult Abuse Unduplicated			
630	604	598	531	549	Reports Received			
					Education			
0.744.000		<b>-</b>	= 011 015	0.000.4==	OC Community Resources			
6,741,380	7,796,954	7,629,378	7,314,615	6,908,477	Total Volumes Borrowed at Library Branches			
0.040.440	0.044.054	0.046.400	0.550.500	0.500.015	Airport			
8,642,116	8,611,054	8,812,169	8,552,590	9,566,043	Passengers			
16,831	15,150	14,870	15,197	21,084	Air Cargo Tonnage			
251,191	260,466	213,404	215,585	319,791	Takeoffs & Landings			
0.004.040	0.405.040	0.500.545	0.070.000	4 007 045	Waste Management			
3,304,643	3,495,649	3,502,715	3,876,902	4,207,649	Solid Waste Tonnage			
3,448,964	3,209,725	3,390,965	3,441,343	3,766,898	Gallons of Leachate and Impacted Ground Water Collected			
5,770,804	5,208,725	0,000,000	0,771,040	5,700,030	Ground Water Collected			

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

			Fiscal Year		
Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13
General Government					
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					
Trailer	1	1	1	1	1
Vehicle/Truck	4	4	4	3	3
Public Protection					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	948	917	916	911	918
Buses	12	11	11	11	11
Helicopters	5	4	3	3	2
Boats	10	10	10	10	9
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	26	28	22	18	13
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	4	4	4	4	4
Vehicles/Trucks	159	155	159	156	*
Equipment	13	12	16	12	*
Recreation and Cultural Services					
OC Community Resources					
Park Land (acres)	62,900	62,900	62,900	60,500	59,318
Recreational Trails (in miles)	295	295	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	15	15
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	3	3	3
Beaches	11	11	11	11	11
Historical Sites	7	7	7	7	7
Boats	10	8	7	7	9
Tractors	26	25	26	28	24
Trailers	33	31	27	29	33
Vehicles/Trucks	199	204	174	170	211
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	2	2	2	2
Public Parking Areas	9	9	9	9	9

<sup>\*</sup> means Not Available Source: County Departments

	F	iscal Year			
2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					General Government
					Auditor-Controller
1	1	1	1	1	Hall of Finance and Records
					Clerk-Recorder
1	1	1	1	1	OC Archives Building
					Registrar of Voters
1	1	1	1	1	Trailer
3	3	3	3	3	Vehicle/Truck
					Public Protection
					Sheriff-Coroner
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
838	844	844	859	855	Vehicles
11	13	13	13	12	Buses
2	2	2	2	2	Helicopters
9 3	5 3	5 3	5 3	5 3	Boats
3 4	3 4	3 4	3 4	3 4	Robot Andros Haz-mat Vehicles
10	14	14	14	13	K-9 units
10	14	14	14	13	District Attorney
5	5	5	5	6	Justice Center Offices
3	3	3	3	U	Probation Department
5	5	5	5	6	Juvenile Institutions
*	*	*	*	*	Vehicles/Trucks
*	*	*	*	*	Equipment
					Recreation and Cultural Services OC Community Resources
57,688	57,688	39,490	39,490	32,000	Park Land (acres)
295	295	292	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
4	4	4	3	3	Nature Preserves
2	2	2	2	2	Harbors
9	9	9	9	9	Beaches
7	7	7	7	7	Historical Sites
21	15	14	14	15	Boats
26	22	18	17	9	Tractors
30	24	20	17	15	Trailers
188	233	208	176	165	Vehicles/Trucks
					Dana Point Harbor
1	1	1	1	1	Harbor
2	2	2	2	2	Marinas
9	9	9	9	9	Public Parking Areas

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

	Fiscal Year						
Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13		
Recreation and Cultural Services (Continued)							
Dana Point Harbor (Continued)							
Beaches	1	1	1	1	1		
Access Points to Ocean	6	6	6	6	6		
Hotel	1	1	1	1	1		
Ocean Education Center	1	1	1	1	1		
Sailing and Events Center	1	1	1	1	1		
Shops	24	24	23	23	23		
Restaurants	16	16	16	16	16		
Fuel Dock	1	1	1	1	1		
Shipyard	1	1	1	1	1		
Boater Service Buildings	15	15	15	15	15		
Parcel 11 (Yacht Building Company)	1	1	*	*	*		
Parcel 23 (Yacht Club)	1	1	*	*	*		
Public Ways and Facilities							
OC Public Works							
Hall of Administration	1	1	1	1	1		
Data Center	1	1	1	1	1		
Alternate Fuel Vehicles	46	50	51	60	60		
Vehicles/Trucks	45	42	53	54	51		
OC Flood Control District							
Watersheds	21	19	13	13	13		
Dams	4	3	3	3	3		
Dump Trucks	4	7	7	12	5		
Tractors	20	20	14	19	5		
Trailers	16	14	24	17	8		
Vehicles/Trucks	97	79	156	156	156		
Roads							
Street Miles	330	330	320	320	319		
Dump Trucks	12	12	11	9	4		
Tractors	30	30	18	9	6		
Trailers	24	32	30	18	10		
Vehicles/Trucks	174	147	146	165	151		
Health and Sanitation			•	.00			
Clinics (1)	4	4	4	3	2		
Laboratories <sup>(1)</sup>	4 2	4 2	4 2	2	3 2		
Trailers (1)	9	12	12	8			
Vehicles and Trucks <sup>(1)</sup>	_	· <del>-</del>			11		
	30	24	24	25	25		
OC Community Resources Animal Care Center	4	4	4	4	4		
	1	1	1	1	1		
Trailers	3	3	3	3	3		

Note: (1) Presentation changed in FY 2014-15 to summarize by asset

(2) \* means Not Available Source: County Departments

	F	iscal Year			
2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
					Recreation and Cultural Services (Continued)
					Dana Point Harbor (Continued)
1	1	1	1	1	Beaches
6	6	6	6	6	Access Points to Ocean
1	1	1	1	1	Hotel
1	1	1	1	1	Ocean Education Center
1	1	1	1	1	Sailing and Events Center
25	25	25	26	26	Shops
16	15	16	15	15	Restaurants
1	1	1	1	1	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	15	Boater Service Buildings
*	1	*	*	*	Parcel 11 (Yacht Building Company)
*	1	*	*	*	Parcel 23 (Yacht Club)
					Public Ways and Facilities
					OC Public Works
1	1	1	1	1	Hall of Administration
1	1	1	1	1	Data Center
59	59	59	59	59	Alternate Fuel Vehicles
50	50	50	47	47	Vehicles/Trucks
					OC Flood Control District
13	19	11	11	11	Watersheds
3	3	3	3	3	Dams
5	13	13	13	14	Dump Trucks
5	10	19	19	20	Tractors
12	15	14	14	13	Trailers
165	161	122	166	162	Vehicles/Trucks
					Roads
320	320	320	320	320	Street Miles
11	9	1	8	8	Dump Trucks
3	4	3	12	13	Tractors
5	9	11	14	14	Trailers
146	151	144	158	157	Vehicles/Trucks
					Health and Sanitation
3	2	2	2	49	Clinics (1)
2	2	2	1	2	Laboratories (1)
27	27	27	27	25	Trailers (1)
24	27	26	25	68	Vehicles and Trucks <sup>(1)</sup>
					OC Community Resources
1	1	1	1	1	Animal Care Center
3	3	3	3	2	Trailers
-	-	-	-		

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

	Fiscal Year					
Function/Program	2016-17	2015-16	2014-15	2013-14	2012-13	
Public Assistance						
Social Service Agency						
Vehicles	4	5	5	5	6	
Office Locations	20	20	20	19	20	
<u>Education</u>						
Library Branches	33	33	33	33	33	
Library Headquarters	*	*	*	*	*	
<u>Airport</u>						
Acres	501	501	501	501	501	
Runways	2	2	2	2	2	
Public Parking Structures/Lots	5	5	5	5	5	
Terminals	3	3	3	3	3	
Fire Trucks	4	4	4	4	4	
Waste Management						
Active Landfills	3	3	3	3	3	
Inactive Landfills	2	2	2	2	2	
Household Hazardous Waste						
Collection Centers	4	4	4	4	4	
Dozers	6	8	7	7	7	
Dump Trucks	10	10	10	10	12	
Loaders	12	21	20	20	20	
Scrapers	6	8	8	8	8	
Excavators	2	2	2	2	2	
Tractors	27	30	28	29	28	
Graders	4	4	4	4	4	
Compactors	7	8	8	8	8	
Water/Fuel Trucks	14	13	13	13	11	

Source: County Departments

<sup>\*</sup> means Not Available

			iscal Year			
_	2011-12	2010-11	2009-10	2008-09	2007-08	Function/Program
_						Public Assistance
						Social Service Agency
	10	10	8	7	8	Vehicles
	20	19	20	21	27	Office Locations
						<u>Education</u>
	33	33	33	33	33	Library Branches
	*	1	1	1	1	Library Headquarters
						Airport .
	501	501	501	501	501	Acres
	2	2	2	2	2	Runways
	5	5	5	5	5	Public Parking Structures/Lots
	3	1	1	1	1	Terminals
	4	4	4	4	4	Fire Trucks
						Wasta Managament
	2	2	2	2	3	Waste Management Active Landfills
	3 2	3 2	3 2	3 2	ა 2	Inactive Landfills
	2	2	2	2	2	Household Hazardous Waste
	4	4	4	4	4	Collection Centers
	4	4	4	4	4	
	8	8	10	10	10	Dozers
	12	14	14	14	14	Dump Trucks
	21	22	21	21	21	Loaders
	8	11	13	13	15	Scrapers
	2	2				Excavator
		00			<b>~</b> =	Tuestana

Tractors

Graders
Compactors
Water/Fuel Trucks

3





Orange County Auditor-Controller
12 Civic Center Plaza, Suite 200 Santa Ana, California 92701







# APPENDIX B INVESTMENT POLICY

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# **Orange County Treasurer**



# 2018 Investment Policy Statement

(Approved By B.O.S. 11/14/2017)

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# ORANGE COUNTY TREASURER INVESTMENT POLICY STATEMENT

### **PURPOSE**

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (the "Treasurer") and outline the policies to assist in maximizing the efficiency of the Treasurer's cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. (All references are to the California Government Code unless otherwise stated.)

# I. POLICY STATEMENT

The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the "OCIF"), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

# II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

#### 1. FUNDS

The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all monies under the investment authority of the Treasurer, including funds, and subsets of funds, for the Orange County Department of Education; and excluding the County employee's pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds that are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County's CAFR and include:

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary Funds
- Any other funds or new funds created by the County, unless specifically exempted

#### a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

- i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements generally longer than one year. It will be invested primarily in high grade securities.
- ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cashequivalent securities to fulfill the primary goals of safety and liquidity.

# b) Specific Investment Accounts:

From time to time, the Treasurer may be asked by the County or a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities, either in a pool or in specific investments as allowed by Government Code. The County or the participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years, unless the appropriate legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment. Strategies for such deposits may include matching maturities with long-term liabilities.

# III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and

the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Treasurer and those delegated staff shall act in accordance with written procedures and the Investment Policy Statement, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

### IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

# V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

#### 1. SAFETY

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

- a) Credit Risk: Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.
- b) Market Risk: Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

#### 2. LIQUIDITY

Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

#### 3. YIELD

Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

#### 4. MARK-TO-MARKET

Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a \$1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than \$.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 pool that can be invested in this category.

#### 2. U. S. GOVERNMENT AGENCY SECURITIES

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of a pool that can be invested in this category, but each issuer is limited to 50% of any individual pool's total assets except that GSE issuers rated "AA" or higher with final maturities of 30 days or less are excluded from the calculation of the 50% limit.

#### 3. COMMERCIAL PAPER

Eligible commercial paper 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,.

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 a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank. No more than 30% of any individual pool's total assets may be invested in negotiable certificates of deposit and maximum remaining maturity cannot exceed three years.

#### 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 or bills of exchange, that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

#### 7. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

- a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.
- **b)** Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000.

#### 8. STATE POOL – LOCAL AGENCY INVESTMENT FUND

The Treasurer may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity. Investments in LAIF shall not exceed \$65 million per pool.

#### 9. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

- **a**) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- **b)** Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.
- **c**) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

#### 10. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and three years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Investments in medium-term notes are limited to no more than 30% of any individual pool's total assets.

#### 11. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets. No more than 10% of an individual pool shall be invested in a single investment pool.

#### 12. SUPRANATIONAL SECURITIES

Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and, Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

# VII. INVESTMENT CREDIT RATING RESTRICTIONS

Credit ratings will be applied at the time of purchase of a security and monitored for changes while owned. A downgrade subsequent to purchase in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities that are downgraded below the minimum acceptable rating levels must be reviewed for possible sale within a reasonable amount of time.

Municipal debt issued by the County of Orange, California (as defined in Section VI 9), U.S. Government obligations (as defined in Section VI 1 and VI 2) and State Pool (as defined in Section VI 8), are exempt from the credit rating requirements listed below. Money Market

Mutual funds (as defined in Section VI 7) and Investment Pools (as defined in Section VI 11) require the highest ranking or the highest letter and numerical rating provided by at least one NRSRO. In addition, all Supranational Securities shall be rated "AA" or higher from all NRSROs that rate the issuer.

The credit ratings referred to in this policy must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation "S&P," Moody's Investors Service, Inc. "Moody's", and Fitch Ratings "Fitch". In addition, all investments, except those noted above, 1) must have the minimum ratings required below by two NRSROs, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

a) Short-term debt ratings:

"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 with remaining maturities of 397 days or less must have no less than an "A" rating on long-term debt, from each of the NRSROs that rate the issuer.

# Long-term debt ratings:

Investments purchased with remaining maturities longer than 397 days, shall have obtained no less than an "AA" rating by all NRSROs that rate the issuer. 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 ratings by all NRSROs must meet these minimum ratings.

- **b)** Repurchase Agreement counterparties shall have a minimum short-term rating, or counterparty rating, of no less than A-1 or equivalent and have capital of not less than \$500 million.
- c) 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 are also approved in writing by the Treasurer prior to purchase:

The issuer has:

- (a) an A-1+ or F1+ short-term rating; and
- (b) at least an AA or Aa2 or higher long-term rating from all NRSROs that rate the issuer.
- **d)** If any issuer is placed on "Credit Watch-Negative" by any NRSRO, all related entities, including parent and subsidiaries, will also be placed on hold and subject to the above requirements.

#### VIII. DIVERSIFICATION AND MATURITY RESTRICTIONS

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in overconcentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

# 1. AUTHORIZED INVESTMENTS AND ISSUER CONCENTRATION

Only debt issued by firms listed on the Office of the Treasurer's Approved Issuer List may be purchased. The following diversification limits will also be applied at the time of purchase of a security.

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100% Total, no more than 50% in one issuer excluding securities with final maturities of 30 days or less	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	3 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	3 Years	397 Days
State of California Local Agency Investment Fund	\$50 million per account	\$50 million per pool	N/A	N/A	N/A
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 or the appropriate legislative body to be invested in longer than five year maturities.

The following restrictions will apply:

Short-term 13 months (397)

Long-term 5 years

c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.

**d)** For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

#### 3. DURATION

a) All pools, except short-term pools, shall have an effective 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 <u>at time of purchase</u> 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).
- f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

# X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors ("outside entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

#### 1. STATEMENT OF ECONOMIC INTEREST FORM 700

The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

# 2. COUNTY'S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.

The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and "designated employees" from business entities and individuals that "do business with the County" as that termed in defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designated in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer's Office, "designated employees" include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

# XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title

12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section 27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period. The Treasurer shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved 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. A detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

# XII. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31 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 Department's Accounting/Compliance Unit. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

#### 1. INVESTMENT PROCEDURES

The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

# XVI. EARNINGS AND COSTS APPORTIONMENT

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

As authorized by Government Code Section 27013, the Treasurer 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, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, the Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

All reports filed by the Treasurer in accordance with Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with Government Code 53646(b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

# XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

# XXIII. DISASTER RECOVERY PROGRAM

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office, and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

# INVESTMENT POLICY STATEMENT GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement. The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

**ACCRUED INTEREST:** The amount of interest that is earned but unpaid since the last interest payment date.

**ADJUSTABLE RATE NOTE:** (See Floating Rate Note)

**AGENCY SECURITIES:** (See U.S. Government Agency Securities)

**AMORTIZATION:** The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**AVERAGE LIFE:** The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**ASKED PRICE:** The price at which securities are offered from a seller.

**ASSET BACKED SECURITIES (ABS):** (See Receivable-Backed Securities)

**BANKERS' ACCEPTANCE (BA):** Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

**BASIS POINT:** When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

**BID PRICE:** The price at which a buyer offers to buy a security.

**BOOK ENTRY:** The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

**BOOK VALUE:** The original cost of the investment, plus accrued interest and amortization of any premium or discount.

**BROKER:** A broker brings buyers and sellers together and is compensated for his/her service.

**CALLABLE BONDS:** Bonds that may be redeemed by the issuing company prior to the maturity date.

**CALL PRICE:** The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**CALL RISK:** The risk to a bondholder that a bond may be redeemed prior to maturity.

**CAPITAL GAIN/LOSS:** The profit or loss realized from the sale of a capital asset.

**CERTIFICATE OF DEPOSIT (CD or NCD):** A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

**COLLATERAL:** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

**COMMERCIAL PAPER (CP):** Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

**CONSUMER RECEIVABLE-BACKED BONDS:** (See Receivable-Backed Securities)

**CONVEXITY:** A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**CREDIT OUTLOOK:** (See Rating Outlook)

**CREDIT QUALITY:** The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

**CREDIT RISK:** The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**CREDIT WATCH:** indicates that a company's credit is under review and credit ratings are subject to change.

+ (positive)
 - (negative)
 Evolving/ Neutral
 Credit is under review for possible downgrade.
 Credit is under review, direction uncertain.

**COUPON:** The rate at which a bond pays interest.

**CURRENT YIELD:** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSTODIAN:** A bank or other financial institution that keeps custody of stock certificates and other assets.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

**DELIVERY VERSUS PAYMENT (DVP):** Delivery of securities with a simultaneous exchange of money for the securities.

**DERIVATIVE:** A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

**DISCOUNT:** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**DIVERSIFICATION:** An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

**DOLLAR-WEIGHTED AVERAGE MATURITY:** A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**FEDERAL FUNDS RATE:** Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

**FEDERAL RESERVE SYSTEM:** A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

**FITCH, INC:** (see Nationally Recognized Statistical Rating Organization)

**FIXED-INCOME SECURITIES:** Securities that return a fixed income over a specified period.

**FLOATING RATE NOTE:** A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

**INTEREST:** The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

**INTERNAL CONTORLS:** An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

**INVESTMENT COMPANY ACT OF 1940:** Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**LIQUIDITY:** The speed and ease with which an investment can be converted to cash.

**LOCAL AGENCY:** County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

**MARK-TO-MARKET:** The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

**MARKET RISK:** The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

**MARKET VALUE:** The price at which a security is trading and could presumably be purchased or sold.

**MASTER REPURCHASE AGREEMENT:** A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

**MATURITY:** The date upon which the principal or stated value of an investment becomes due and payable.

**MEDIUM TERM NOTES (MTN):** Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

**MONEY MARKET:** The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

**MONEY MARKET MUTUAL FUNDS:** An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

**MUNICIPAL DEBT:** Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO):

Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

**NEGOTIABLE CD:** (See Certificates of Deposit)

**NET ASSET VALUE (NAV):** A per-share valuation of a mutual fund based on total assets minus total liabilities.

**NON-CALLABLE:** Bond that cannot be called at the option of the issuer.

**OFFER PRICE:** The price asked by a seller of securities.

**PAR or PAR VALUE:** The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

**PHYSICAL DELIVERY:** The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

**PORTFOLIO:** A group of securities held by an individual or institutional investor.

**PREMIUM:** The difference between the par value of a bond and the market value of the bond, when the market value is above par.

**PRICE RISK:** The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

**PRIMARY DEALER**: Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

**PRIME RATE:** The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

**PRINCIPAL:** The face value or par value of an investment.

**PROSPECTUS:** A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

**RATING OUTLOOK:** The potential direction of the credit rating assigned by a NRSRO for a specific company.

**REINVESTMENT RISK:** The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

**RECEIVABLE-BACKED SECURITIES:** Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

**RECEIVABLE PASS-THROUGH CERTIFICATE:** A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

**REFUNDED BOND:** A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

**REGISTERED STATE WARRANT:** A short-term obligation of a state governmental body issued in anticipation of revenue.

**REPURCHASE AGREEMENT (REPO):** The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

**RULE 2a-7 OF THE INVESTMENT COMPANY ACT:** Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

**RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD:** Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

**SAFEKEEPING:** Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

**SECURITIES & EXCHANGE COMMISSION (SEC):** The federal agency responsible for supervising and regulating the securities industry.

**SINKING FUND:** Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**STANDARD & POOR'S CORPORATION:** (See Nationally Recognized Rating Services)

**STRUCTURED INVESTMENT VEHICLE (SIV):** A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

**SUPRANATIONAL:** An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

# **THIRD-PARTY CUSTODIAL AGREEMENT:** (See Custodian)

**TOTAL RETURN:** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price appreciation) + (Dividends paid) + (Capital gains) = 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.