



Municipal Securities Rulemaking Board

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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: SOCPFA JJC Facility Continuing Disclosure Annual Report, for the year ended 06/30/2018

Documents

Financial Operating Filing

00210199.PDF posted 01/31/2019

The following issuers are associated with this continuing disclosure submission:

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

The following 7 securities have been published with this continuing disclosure submission:

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

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CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

**SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
JUVENILE JUSTICE CENTER FACILITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012**



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**SOUTH ORANGE COUNTY PUBLIC FINANCING AUTHORITY
JUVENILE JUSTICE CENTER FACILITY
LEASE REVENUE REFUNDING BONDS, SERIES 2012**

MATURITY DATE

(June 1)

2019

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TABLE OF CONTENTS

INTRODUCTION	1
Delivery of the Annual Report	1
AUDITED FINANCIAL STATEMENTS	1
TABLE A-6 - FINAL BUDGET OF THE COUNTY	1
NUMERICAL AND TABULAR INFORMATION	3
Table A-3 – Governmental Funds Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	3
Table A-4 – Government Fund Balance Sheet	3
Table A-5 – Comparison of Statement of General Fund Revenues, Expenditures and Changes in Fund Balances	5
Table A-7 – County of Orange Detail of Assessed Valuation	6
Table A-8 – County of Orange Largest Local Secured Taxpayers	7
Table A-9 – County of Orange Top Ten Unsecured Taxpayers	8
Table A-10 – County of Orange Outstanding Long Term Debt and Lease Obligations	9
Table A-11 – County of Orange Capital Lease Payments	10
Table A-12 – County of Orange Operating Lease Payments	11
Table A-13 – County of Orange Direct and Overlapping Debt	11
Table A-14 – Orange County Employees’ Retirement System Investment Returns	13
Table A-15 – Orange County Employees’ Retirement System Contributions	14
Table A-16 – Orange County Employees’ Retirement System Schedule of Funding Progress	15
Table A-17 – Orange County Employees’ Retirement System County Contributions	16
Table A-18 – Orange County Retirement Medical Plan Schedule of Funding Progress	16
Table A-19 – Orange County Retirement Medical Plan Calculation of OPEB Asset	17
INVESTMENT POLICY	20
CERTAIN DISCLAIMERS	20
APPENDIX A COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2018	A-1
APPENDIX B INVESTMENT POLICY	B-1

INTRODUCTION

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated January 31, 2019 (the “Annual Report”) has been prepared to satisfy the obligations of the County of Orange, a political subdivision of the State of California (the “County”), with respect to the South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012, issued on April 25, 2012 (the “Bonds”).

Delivery of the Annual Report

The County has agreed under that certain Continuing Disclosure Certificate, dated April 25, 2012, executed by the County in connection with the issuance of the Bonds (the “Disclosure Certificate”), and pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the “Rule”), to provide certain annual financial information and operating data and notices of certain reporting of significant events. These covenants have been made in order to comply with the Rule. As provided in the Disclosure Certificate, this Annual Report is being prepared for publication with the Electronic Municipal Market Access (“EMMA”), a service of the Municipal Securities Rulemaking Board for the benefit of the owners of the Bonds and the participating underwriters. Capitalized terms used herein which are not otherwise defined shall have the respective meaning specified in the Disclosure 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, 2018, which contains the audited financial statements of the County, is attached hereto as Appendix A.

TABLE A-6 - FINAL BUDGET OF THE COUNTY

The following table, as in the form of Table A-6 in the Official Statement, sets forth the County’s Final Budgets (which include all mid-year adjustments made during the fiscal year) for Fiscal Year 2015-16 through Fiscal Year 2017-18 and the Modified Budget (which includes mid-year adjustments through November 20, 2018) for Fiscal Year 2018-19.

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TABLE A-6

**COUNTY OF ORANGE
COMPARISON OF GENERAL FUND
FINAL OR MODIFIED BUDGETS FOR FISCAL YEARS 2015-16 TO 2018-19**

	2015-16 ⁽¹⁾ Final Budget	2016-17 ⁽¹⁾ Final Budget	2017-18 ⁽¹⁾ Final Budget	2018-19 ⁽¹⁾ Modified Budget
REQUIREMENTS:				
Public Protection	\$1,154,900,802	\$1,213,516,840	\$1,263,275,290	\$1,264,266,417
Health & Community & Social Services	1,635,346,756	1,677,616,903	1,710,518,620	1,765,565,134
Infrastructure & Environmental Resources ⁽²⁾	96,542,552	98,972,335	116,899,628	116,307,809
General Government & Services ⁽³⁾	175,633,084	175,235,341	177,290,869	168,059,838
Capital Improvements ⁽⁴⁾	58,804,388	70,473,040	71,724,289	75,507,123
Debt Service ⁽⁵⁾	58,359,689	28,915,270	8,514,959	1,542,115
Insurance, Reserves & Miscellaneous ⁽⁶⁾	41,997,963	88,233,890	74,518,200	85,995,353
Increases to Reserves ⁽¹⁴⁾	-	-	-	13,671,902
Total Requirements	\$3,221,585,234	\$3,352,963,619	\$3,422,741,855	\$3,490,915,691
AVAILABLE FUNDS:				
Property Taxes ⁽⁷⁾	\$ 645,114,419	\$ 664,066,177	\$ 693,860,000	\$ 739,230,000
Sales & Use Taxes	7,642,000	7,421,000	7,952,000	8,165,000
Licenses, Permits & Franchises	24,801,856	26,191,782	26,541,617	26,397,738
Fines, Forfeitures & Penalties ⁽⁸⁾	33,973,817	63,426,590	32,651,489	34,632,714
Use of Money & Property ⁽⁹⁾	15,960,550	6,837,144	8,783,507	11,314,080
Intergovernmental Revenues ⁽¹⁰⁾	1,648,932,484	1,650,849,929	1,680,118,352	1,742,710,456
Charges for Services ⁽¹¹⁾	441,372,018	478,731,879	489,839,549	503,433,458
Miscellaneous Revenues ⁽¹²⁾	25,629,773	19,813,105	28,407,826	16,784,204
Other Financing Sources ⁽¹³⁾	345,247,026	404,386,614	444,542,184	408,248,041
Decreases to Reserves ⁽¹⁴⁾	32,911,291	31,239,399	10,045,331	-
Total Available Funds	\$3,221,585,234	\$3,352,963,619	\$3,422,741,855	\$3,490,915,691

⁽¹⁾ Final Budgets include all budget adjustments throughout the year after budget adoption. Modified Budget was approved by the Board of Supervisors on November 20, 2018.

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

⁽³⁾ Fiscal Year 2015-16 Budget includes \$6.5 million for the Countywide Accounting and Personnel System software upgrade and \$10 million in additional funding for current operations and one-time costs. Fiscal Year 2016-17 and FY 2017-18 includes additional funding for one-time costs for Property Tax System upgrades and increase in funding for current operations. Fiscal Year 2018-19 reduction is due to reduced general election expenses.

⁽⁴⁾ Fiscal Years 2015-16, 2016-17, 2017-18, and 2018-19 include one-time additional funding for planned capital projects.

⁽⁵⁾ Fiscal Year 2016-17 budget decrease is due to the reduction in debt service payments for 2005 Lease Revenue Refunding Bonds. Fiscal Years 2017-18 and 2018-19 budget decrease is due to reduction in waste importation revenue to pay down balances in the plan administered accounts.

⁽⁶⁾ Fiscal Years 2015-16, 2016-17, 2017-18, and 2018-19 Budgets include AB 701 Vehicle License Fee Revenue Allocation (VLFAA) settlement payment to the State, \$15 million, \$25 million, \$50 million, and \$55 million respectively, and funding for one-time capital projects. Fiscal Year 2018-19 Budget includes \$11.3 million for Contingencies.

⁽⁷⁾ Fiscal Years 2016-17, 2017-18, and 2018-19 increase is due to a recovering housing market and additional allocation of residual property taxes from the dissolution of Redevelopment Agencies.

⁽⁸⁾ Fiscal Year 2016-17 increase is due to one-time \$26 million litigation settlement with a contractor related to the development of a new property tax system.

⁽⁹⁾ Fiscal Year 2015-16 increase is due to one-time \$10.2 million in state-mandated cost reimbursements (SB90). Fiscal Years 2017-18 and 2018-19 increase is due to higher interest earnings and higher cash balances.

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

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

⁽¹²⁾ Fiscal Year 2017-18 includes increase in revenue from the Sheriff Court Operations of \$4.5 million. Fiscal Year 2018-19 decline is due to decreases of \$3 million in Reimbursement Revenue from 2012 Juvenile Justice Center Bonds and decreases in Court Revenue of \$4.5 million.

⁽¹³⁾ 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. Increase from Fiscal Year 2016-17 to 2017-18 is due to higher transfers in from the Health Care Agency, Social Services Agency, Teeter Program, and OC Waste and Recycling importation program. Fiscal Year 2018-19 decrease is due to (a) reduction of one-time revenue included in FY 2017-18 of \$21 million for the Teeter program, (b) \$14 million transfer of excess bond reserves and (c) \$4 million unused Central Utility Facility funding carryover in the Countywide Capital Projects Non General Fund Budget.

⁽¹⁴⁾ 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, 2016-17 and FY 2017-18 actual year-end Fund Balance reclassified and transferred to reserves were \$53.8 million, \$46.7 million, and \$35.7 million 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-19 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, 2017 and June 30, 2018.

TABLE A-3

COUNTY OF ORANGE GOVERNMENTAL FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Fiscal Years Ending June 30, 2017 and June 30, 2018 (In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2017	2018	2017	2018	2017	2018
General Fund	\$3,167,897	\$ 3,345,890	\$3,144,843	\$ 3,288,004	\$ 23,054	\$ 57,886
Flood Control District	151,353	149,683	144,469	179,023	6,884	(29,340)
Other Public Protection	79,074	94,382	81,587	81,515	(2,513)	12,867
Mental Health Services Act	153,076	169,546	138,075	178,523	15,001	(8,977)
Other Governmental Funds	1,193,132	849,433	1,014,615	960,833	178,517	(111,400)
TOTAL	\$4,744,532	\$ 4,608,934	\$4,523,589	\$ 4,687,898	\$ 220,943	\$ (78,964)

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018.

Table A-4 – Government 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, 2017 and June 30, 2018.

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TABLE A-4

COUNTY OF ORANGE
GOVERNMENT FUNDS BALANCE SHEET⁽¹⁾
June 30, 2017 and June 30, 2018
(In Thousands)

	June 30, 2017		June 30, 2018	
	Total Governmental Funds	General Fund	Total Governmental Funds	General Fund
ASSETS				
Pooled Cash/Investments	\$2,115,332	\$531,226	\$2,121,843	\$590,115
Cash/Cash Equivalents	12,188	--	15,000	--
Imprest Cash Funds	1,834	1,834	1,880	1,835
Restricted Cash and Investments with Trustee	355,755	1	306,164	2
Investments	67,557	67,557	--	--
Deposits In-Lieu of Cash	25	--	25	--
Receivables				
Accounts	12,903	9,590	15,293	9,139
Taxes	27,458	5,701	27,875	6,251
Interest/Dividends	5,200	1,794	7,220	2,727
Deposits	4,821	524	4,723	537
Advances	40	40	30	30
Allowance for Uncollectible Receivables	(4,422)	(4,077)	(5,223)	(4,421)
Due from Other Funds	149,291	104,918	166,122	136,308
Due from Component Unit	339	339	494	494
Due from Other Governmental Agencies, Net	409,797	330,367	448,166	349,949
Inventory of Materials and Supplies	1,501	838	2,188	1,417
Prepaid Costs	388,772	367,934	393,735	373,201
Advances to Other Funds	3,800	3,800	3,800	3,800
Notes Receivable, Net	27,572	--	27,774	--
Total Assets	<u>\$3,579,763</u>	<u>\$1,422,386</u>	<u>\$3,537,109</u>	<u>\$1,471,384</u>
LIABILITIES				
Accounts Payable	\$96,319	\$47,903	\$101,285	\$55,263
Retainage Payable	5,708	1,750	5,901	1,892
Salaries and Employee Benefits Payable	46,357	43,688	47,581	44,875
Interest Payable	2,410	2,376	3,868	3,801
Deposits from Others	50,569	1,534	70,978	1,397
Due to Other Funds	145,072	43,725	156,048	25,465
Due to Component Unit	1	--	3	--
Due to Other Governmental Agencies	31,523	14,634	23,583	11,376
Estimated Litigation and Claims	7,400	--	--	--
Unearned Revenue	65,906	38,668	84,014	61,182
Bonds Payable	375,540	375,540	375,345	375,345
Advances from Other Funds	33,424	784	33,796	556
Total Liabilities	<u>860,229</u>	<u>570,602</u>	<u>902,402</u>	<u>581,152</u>
DEFERRED INFLOWS OF RESOURCES⁽²⁾				
Unavailable Revenue- Intergovernmental Revenues	95,639	58,651	114,620	62,884
Unavailable Revenue- Senate Bill 90 Mandated Claims, Net	24,637	24,637	6,711	6,711
Unavailable Revenue- Property Taxes	11,021	8,364	9,540	7,574
Unavailable Revenue- Long-Term Notes Receivables	255	--	--	--
Unavailable Revenue- Other	9,513	9,240	4,331	4,285
Total Deferred Inflows of Resources	<u>141,065</u>	<u>100,892</u>	<u>135,202</u>	<u>81,454</u>
FUND BALANCES				
Nonspendable ⁽³⁾	394,269	372,572	399,923	378,418
Restricted	1,674,989	39,581	1,524,084	31,815
Assigned	435,765	265,293	356,072	179,119
Unassigned	73,446	73,446	219,426	219,426
Total Fund Balances	<u>2,578,469</u>	<u>750,892</u>	<u>2,499,505</u>	<u>808,778</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$3,579,763</u>	<u>\$1,422,386</u>	<u>\$3,537,109</u>	<u>\$1,471,384</u>

⁽¹⁾ The Notes to the County's Basic Financial Statements are an integral part of this table and can be found in the County's Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2018 in Appendix A of this Annual Report.

⁽²⁾ See Note 1 the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2018" in Appendix A of this Annual Report.

⁽³⁾ Includes an amount equal to pension obligation bonds sold to prepay the subsequent year's pension obligations, which are reserved as nonspendable as a "prepaid cost". Pension prepayments represent \$368 million for Fiscal Year 2017 and \$373 million for Fiscal Year 2018. 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, 2017 and June 30, 2018.

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 Fiscal Years 2013-14 through 2017-18.

TABLE A-5

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

	2014	2015	2016	2017	2018
REVENUES					
Taxes ⁽¹⁾	\$ 599,366	\$ 629,603	\$ 671,363	\$ 681,836	\$ 723,675
Licenses, Permits & Franchises	22,595	22,929	25,154	25,362	25,775
Fines, Forfeitures & Penalties	33,039	82,063	44,375	67,648	40,169
Use of Money and Property	5,260	5,272	18,318	6,733	10,412
Intergovernmental Revenues	1,593,107	1,602,817	1,626,855	1,613,969	1,680,669
Charges for Services	410,108	408,872	386,117	442,591	465,328
Other Revenues	13,124	15,601	18,648	17,790	18,808
TOTAL REVENUES	2,676,599	2,767,157	2,790,830	2,855,929	2,964,836
EXPENDITURES					
General Government	140,816	177,280	176,002	195,250	218,995
Public Protection	1,082,961	1,126,878	1,182,458	1,260,068	1,315,803
Public Ways and Facilities	35,570	32,192	30,792	30,633	33,522
Health and Sanitation	620,256	514,371	526,216	577,050	647,960
Public Assistance	795,582	851,488	881,261	891,309	903,294
Capital Outlay	12,454	18,901	20,794	23,532	45,752
Principal Retirement	21,622	21,568	4,530	5,129	5,736
Interest	9,844	8,172	7,451	8,564	10,741
Debt Issuance Costs	200	--	--	--	--
TOTAL EXPENDITURES	2,719,305	2,750,850	2,829,504	2,991,535	3,181,763
Excess (Deficit) of Revenues Over Expenditures	(42,706)	16,307	(38,674)	(135,606)	(216,927)
Other Financing Sources (Uses)					
Transfers In ⁽²⁾	203,257	234,086	247,661	311,968	381,054
Transfers Out ⁽²⁾	(88,711)	(102,271)	(145,657)	(153,308)	(106,241)
Total Other Financing Sources (Uses)	114,546	131,815	102,004	158,660	274,813
Net Change in Fund Balances	71,840	148,122	63,330	23,054	57,886
Fund Balances – Beginning of Year	444,546	516,386	664,508	727,838	750,892
FUND BALANCES – End of Year	\$ 516,386	\$ 664,508	\$ 727,838	\$ 750,892	\$ 808,778

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

⁽²⁾ Interfund transfers reflect the flow of assets between funds and component units of the County. See Note 9 in the "Notes to the County's Basic Financial Statements Fiscal Year Ended June 30, 2018" 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 2008-09.

TABLE A-7

**COUNTY OF ORANGE
DETAIL OF ASSESSED VALUATION⁽¹⁾**

Fiscal Year	Secured	Unsecured	Total	% Change
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
2017-18	543,455,064,150	20,206,980,147	563,662,044,297	6.14

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

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

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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 twenty largest secured taxpayers in the County for Fiscal Year 2017-18. For purposes of this table, multiple properties may be consolidated into a single entry.

TABLE A-8

**COUNTY OF ORANGE
LARGEST 2017-18 LOCAL SECURED TAXPAYERS**

Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total⁽¹⁾
1. The Irvine Company	Commercial/Land Holdings	\$6,291,547,977	1.17%
2. Walt Disney World Company	Theme Park	4,310,880,738	0.80
3. United Laguna Hills Mutual	Retirement Community	873,161,217	0.16
4. Toll CA / Toll Bros.	Residential Development	560,062,327	0.10
5. Olen Properties Corp.	Commercial	507,079,979	0.09
6. Heritage Hills Irvine LLC	Residential Development	489,599,998	0.09
7. BEX Portfolio Inc.	Apartments	426,517,429	0.08
8. Heritage Fields El Toro LLC	Mixed-Use Development	424,663,478	0.08
9. Jamboree Center 1-5 LLC	Commercial	402,378,876	0.07
10. SHC Laguna Niguel 1 LLC	Commercial	389,744,953	0.07
11. Park Place Michelson LLC	Apartments	378,761,964	0.07
12. Allergan Pharmaceuticals	Industrial	362,269,167	0.07
13. B Braun Medical Inc.	Industrial	359,646,153	0.07
14. SHR MLB LLC	Commercial	357,014,076	0.07
15. Park I & II Spectrum LLC	Apartments	344,726,969	0.06
16. Bella Terra Associates LLC	Commercial	340,199,928	0.06
17. Knotts Berry Farm	Theme Park	329,528,275	0.06
18. Mainplace Shoppingtown LLC	Commercial	316,017,348	0.06
19. Monroe MBR LLC	Commercial	315,132,095	0.06
20. BRE-FMCA LLC	Apartments	311,937,003	0.06
TOTAL		\$18,090,869,950	3.37%

⁽¹⁾ 2017-18 Local Secured Assessed Valuation of \$537,360,547,385.
Source: California Municipal Statistics, Inc.

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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 Fiscal Year 2017-18.

TABLE A-9**COUNTY OF ORANGE
TOP TEN UNSECURED TAXPAYERS
FISCAL YEAR 2017-18**

Taxpayers⁽¹⁾	Unsecured Tax Charge	% of Taxes⁽²⁾
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%

⁽¹⁾ Taxpayers are grouped under a parent company, if identifiable.

⁽²⁾ Total Unsecured Taxes as of September 30, 2017 is \$405,006,210.

Source: Orange County Treasurer-Tax Collector.

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

The County's outstanding long-term debt as of June 30, 2018 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	Outstanding Principal Balance (June 30, 2018)	Final Maturity Date
Orange County Public Facilities Corporation Refunding Certificates of Participation (Civic Center Parking Facilities Project), 1991	General Fund	\$ 391,274	2018
County of Orange Taxable Pension Refunding, Obligation Bonds, Series 1997 A ⁽¹⁾	General Fund	\$ 8,219,389	2021
South Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012	General Fund	\$ 5,030,000	2019
County of Orange Teeter Plan Obligation Notes, Series B	Series A Taxes	\$ 27,247,000	2021
South Orange County Public Financing Authority Central Utility Facility Lease Revenue Bonds, Series 2016	General Fund	\$ 52,515,000	2036
SUBTOTAL- GENERAL FUND OBLIGATIONS		\$ 93,402,663	
Airport Revenue Bonds, Series 2009A	Airport Revenues	\$ 57,500,000	2039
Airport Revenue Bonds, Series 2009B	Airport Revenues	\$ 96,950,000	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	\$ 8,130,000	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	\$ 12,900,000	2023
TOTAL		\$ 268,882,663	
California Municipal Finance Authority Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program - Phase I) ⁽²⁾	General Fund	\$ 152,400,000	2047

⁽¹⁾ The outstanding Taxable Refunding Pension Obligation Bonds, Series 1997A were economically defeased on June 22, 2000, through the deposit with the trustee of \$175.492 million principal amount of AAA-rated debt securities issued by Fannie Mae, together with irrevocable instructions that these securities and other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature.

⁽²⁾ The lease payments for the Series 2017A Bonds will become an obligation of the County upon substantial completion of Phase I and the County has taken occupancy.

Source: County of Orange, CEO Public Finance Unit.

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Table A-11 – County of Orange Capital Lease Payments

The following table, in the form of Table A-11 in the Official Statement, concerning capital lease obligations do not include the financing leases and certificates of participation described in Table A-10.

TABLE A-11**COUNTY OF ORANGE
CAPITAL LEASE PAYMENTS
(In Thousands)**

<u>Fiscal Year Ending June 30</u>	
2019	\$ 9,431
2020	9,554
2021	8,606
2022	6,993
2023	7,147
2024-2027	12,888
Total Minimum Lease Payments	54,619
Less: Amount Representing Interest	(11,450)
Present Value of Net Minimum Lease Payments	<u>\$ 43,169</u>

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018.

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Table A-12 – County of Orange Operating Lease Payments

The following table, in the form of Table A-12 in the Official Statement, concerning operating lease obligations does not include the financing leases and certificates of participation described in Table A-10.

TABLE A-12**COUNTY OF ORANGE
OPERATING LEASE PAYMENTS
(In Thousands)**

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2019	\$ 1,674	\$ 28,019	\$ 29,693
2020	120	27,270	27,390
2021	47	27,279	27,326
2022	13	23,401	23,414
2023	2	20,681	20,683
2024-2028	6	72,775	72,781
2029-2033	--	14,820	14,820
Total	<u>\$ 1,862</u>	<u>\$ 214,245</u>	<u>\$ 216,107</u>

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018.

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, 2018. 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.

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TABLE A-13

**COUNTY OF ORANGE
DIRECT AND OVERLAPPING DEBT
As of June 30, 2018**

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

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/18</u>
Metropolitan Water District	20.333%	\$ 12,321,798
Coast Community College District	99.999	781,326,691
North Orange County Joint Community College District	97.715	201,345,667
Rancho Santiago Community College District and School Facilities Improvement District No. 1	100.000	368,129,249
Unified School Districts	0.146-100.	1,817,695,594
Anaheim Union High School District	100.000	200,528,955
Fullerton Joint Union High School District	91.701	155,584,502
Huntington Beach Union High School District	100.000	187,014,998
Elementary School Districts	100.000	621,258,502
Irvine Ranch Water District Improvement Districts	100.000	568,600,000
Moulton-Niguel Water District Improvement Districts	100.000	2,830,000
Santa Margarita Water District Improvement Districts	100.000	74,380,000
Cities	100.000	28,030,000
Orange County Community Facilities Districts	100.000	481,326,990
Other Community Facilities Districts	100.000	1,970,302,288
City and Special District Special Assessment Bonds	100.000	834,875,839
County 1915 Act Bonds	100.000	41,815,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$8,347,366,073
<u>OTHER DIRECT AND OVERLAPPING DEBT:</u>		
Orange County General Fund Obligations	100.000%	\$ 210,347,000
Orange County Pension Obligation Bonds	100.000	383,564,389
Orange County Office of Education Certificates of Participation	100.000	13,990,000
Coast Community College District Certificates of Participation	99.999	3,284,967
Unified School District Certificates of Participation	0.146-100.	372,016,235
High School District Certificates of Participation	91.701-100.	119,854,798
Elementary School District Certificates of Participation	100.000	106,498,253
City of Anaheim General Fund Obligations	100.000	606,340,522
Other City General Fund Obligations	100.000	433,345,008
Moulton-Niguel Water District Certificates of Participation	100.000	72,265,000
TOTAL GROSS OTHER DIRECT AND OVERLAPPING DEBT		\$2,321,506,172
Less: City of Anaheim supported obligations		606,340,522
TOTAL NET OTHER DIRECT AND OVERLAPPING DEBT		\$1,715,165,650
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		
Anaheim Redevelopment Agency	100.000%	\$156,455,000
Brea Redevelopment Agency	100.000	135,446,668
Westminster Redevelopment Agency	100.000	114,655,000
Fullerton Redevelopment Agency	100.000	78,595,000
Buena Park Redevelopment Agency	100.000	72,160,000
Other Redevelopment Agencies	100.000	407,928,707
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$965,240,375
GROSS COMBINED TOTAL DEBT		\$11,634,112,620⁽¹⁾
NET COMBINED TOTAL DEBT		\$11,027,772,098

Ratios to 2017-18 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt	1.48%
Combined Direct Debt (\$593,911,389)	0.11%
Gross Combined Total Debt.....	2.06%
Net Combined Total Debt	1.96%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$61,059,615,022):

Total Overlapping Tax Increment Debt.....	1.58%
---	-------

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

Source: California Municipal Statistics, Inc.

Table A-14 – Orange County Employees’ Retirement System Investment Returns

Investment returns for the past ten calendar years are shown in the following table below, as in the form of Table A-14 of the Official Statement.

TABLE A-14**ORANGE COUNTY EMPLOYEES’ RETIREMENT SYSTEM
INVESTMENT RETURNS**

<u>Year Ended December 31</u>	<u>Actuarial Value Investment Return</u>	<u>Market Value Investment Return</u>
2008	4.23%	(20.76%)
2009	3.60	17.32
2010	5.02	10.47
2011	3.28	0.04
2012	3.49	11.92
2013	9.11	10.73
2014	7.34	4.52
2015	5.26	(0.45)
2016	6.33	8.72
2017	7.44	14.79
5-Year Average Return	7.09%	7.53%
10-Year Average Return	5.49%	5.16%

Source: Orange County Employees Retirement System Actuarial Valuation and Review as of December 31, 2017.

Table A-15 – Orange County Employees’ Retirement System Contributions

Changes in the County Employees’ retirement contributions for the past four calendar years are shown in the following table below, as in the form of Table A-15 of the Official Statement.

TABLE A-15

**ORANGE COUNTY EMPLOYEES’ RETIREMENT SYSTEM
CONTRIBUTIONS
(In Thousands)**

	Years Ended December 31 ⁽¹⁾			
	2014	2015	2016	2017
Contributions Received ⁽²⁾	\$ 858,176	\$ 820,569	\$ 825,493	\$ 834,398
Net Investment Income (Loss) ⁽³⁾	499,195	(10,873)	1,061,243	1,939,635
Participant’s Benefits ⁽⁴⁾	(618,948)	(664,106)	(704,333)	(750,478)
Withdrawals and Refunds	(11,730)	(11,857)	(13,643)	(13,866)
Administrative Expenses	(11,905)	(12,521)	(16,870)	(17,002)
Increases in Net Position Restricted for Pension and OPEB	\$ 714,788	\$ 121,212	\$1,151,890	\$1,992,687

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

⁽²⁾ Discount on prepaid contributions is reflected in Contributions Received.

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

⁽⁴⁾ Participant benefits include death benefits.

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

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

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

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

Actuarial Valuation December 31	Actuarial Value of Assets ⁽¹⁾	Market Value of Assets	Actuarial Accrued Liability (AAL)	Total Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾	Actuarial Funded Ratio ⁽³⁾	Market Funded Ratio ⁽⁴⁾	Covered Payroll ⁽⁵⁾	UAAL as a Percentage of Covered Payroll ⁽⁶⁾
2008	\$7,748,380	\$6,457,000	\$10,860,715	\$3,112,335	71.34%	59.45%	\$1,569,764	198.27%
2009	8,154,687	7,615,000	11,858,578	3,703,891	68.77	64.22	1,618,491	228.85
2010	8,672,592	8,564,000	12,425,873	3,753,281	69.79	68.92	1,579,239	237.66
2011	9,064,355	8,693,000	13,522,978	4,458,623	67.03	64.28	1,619,474	275.31
2012	9,469,208	9,750,989	15,144,888	5,675,680	62.52	64.38	1,609,600	352.55
2013	10,417,125	11,011,261	15,785,042	5,367,917	65.99	69.76	1,604,496	334.55
2014	11,449,911	11,428,133	16,413,124	4,963,213	69.76	69.63	1,648,160	301.14
2015	12,228,009	11,548,529	17,050,357	4,822,348	71.72	67.73	1,633,112	295.29
2016	13,102,978	12,657,418	17,933,461	4,830,483	73.06	70.58	1,759,831	274.49
2017	14,197,125	14,652,607	19,635,427	5,438,302	72.30	74.62	1,811,877	300.15

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

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

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

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

⁽⁵⁾ Annual payroll against which UAAL is amortized.

⁽⁶⁾ UAAL divided by Covered Payroll.

Sources: Orange County Employees Retirement System Comprehensive Annual Financial Reports and Orange County Employees Retirement System Actuarial Valuation and Review as of December 31, 2017.

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Table A-17 – Orange County Employees’ Retirement System County Contributions

The following table, in the form of Table A-17 in the Official Statement, shows the County’s required contributions and the percentage contributed for Fiscal Years 2008-09 to 2017-18.

TABLE A-17
ORANGE COUNTY EMPLOYEES’ RETIREMENT SYSTEM
COUNTY CONTRIBUTIONS
(In Thousands)

Year Ended June 30	County Cash Contribution	Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
2009	\$256,531	\$36,500	\$293,031	100%
2010	279,574	11,000	290,574	100
2011	296,084	11,000	307,084	100
2012	310,736	11,000	321,736	100
2013	328,953	0	328,953	100
2014	348,597	10,000	358,597	100
2015	371,810	0	371,810	100
2016	384,133	0	384,133	100
2017	405,494	0	405,494	100
2018	433,098	0	433,098	100

Sources: Orange County Comprehensive Annual Financial Reports.

Table A-18 – Orange County Retirement Medical Plan Schedule of Funding Progress

The following table, in the form of Table A-18 in the Official Statement, sets forth the schedule of funding progress for the Retiree Medical Plan.

TABLE A-18
ORANGE COUNTY RETIREE MEDICAL PLAN⁽¹⁾
SCHEDULE OF FUNDING PROGRESS
(In Thousands)

Actuarial Valuation as of June 30⁽²⁾	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
2013	\$155,702	\$573,763	\$418,061	27.1%	\$1,217,052	34.4%
2015	217,556	614,500	396,944	35.4	1,188,727	33.4
2017	273,936	680,652	406,716	40.2	1,277,714	31.8

⁽¹⁾ The Plan is calendar year based.

⁽²⁾ Valuation reports are received every other year.

Source: Orange County Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

Table A-19 – Orange County Retirement Medical Plan Calculation of OPEB Asset

The following table, in the form of Table A-19 in the Official Statement⁽¹⁾, shows the calculation of the net OPEB asset for Fiscal Years 2014-15 through 2016-17 (in thousands).

TABLE A-19

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

	2014-15	2015-16	2016-17	2017-18
Annual Required Contribution	\$ 44,921	\$ 44,368	\$ 45,921	(1)
Interest on Net OPEB Obligation	(3,043)	(3,470)	(3,465)	(1)
Amortization of Net OPEB Obligation	2,976	3,541	3,666	(1)
Annual OPEB Cost	44,854	44,439	46,122	(1)
Contributions Made	(41,181)	(42,490)	(47,853)	(1)
Decrease/(Increase) in Net OPEB Asset	3,673	1,949	(1,731)	(1)
Net OPEB Obligation/(Asset), Beginning of year	(48,729)	(45,056)	(43,107)	(1)
Net OPEB Obligation/(Asset), End of year	<u>\$ (45,056)</u>	<u>\$ (43,107)</u>	<u>\$ (44,838)</u>	(1)

⁽¹⁾ Due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", contributions made to the County's Retiree Medical Plan in excess of the annual cost are no longer classified as an asset as shown in prior reports. The tables on the following pages show the Retiree Medical Plan liability for both the County and the collective plan under GASB Statement No. 75. For additional information, see Notes 1, 19 and the Required Supplemental Information section of the County's Comprehensive Annual Financial Report dated June 30, 2018 included herein as Appendix A.

Sources: Orange County Comprehensive Annual Financial Reports.

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ORANGE COUNTY RETIREE MEDICAL PLAN (CONTINUED)

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

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 15,479
Interest	46,589
Benefit payments, including refunds of member contributions	(35,111)
Net change in Total OPEB Liability	26,957
Total OPEB Liability-beginning	667,641
Total OPEB Liability-ending (a)	<u><u>\$ 694,598</u></u>
 Plan Fiduciary Net Position	
Contributions-employer	\$ 60,721
Contributions-employee	2,193
Net investment income	34,217
Benefit payments, including refunds of member contributions	(35,111)
Administrative expense	(22)
Net change in Plan Fiduciary Net Position	61,998
Plan Fiduciary Net Position- beginning	231,807
Plan Fiduciary Net Position-ending (b)	<u><u>\$ 293,805</u></u>
 Plan Net OPEB Liability-ending (a) – (b)	<u><u>\$ 400,793</u></u>
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	42.30%
 Covered payroll ⁽¹⁾	\$ 1,313,217
 Plan Net OPEB Liability as a percentage of covered payroll	30.52%

Schedule of Investment Returns

	<u>2017</u>
Actual money-weighted rate of return, net of investment expense	14.74%

(1) For the 12 month period ending on December 31, 2017 (measurement date and plan year).

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

Source: Orange County Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018.

ORANGE COUNTY RETIREE MEDICAL PLAN (CONTINUED)

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

	<u>2017</u>
County's proportion of the net OPEB liability	90.84%
County's proportionate share of the net OPEB liability	\$ 364,071
Covered payroll ⁽¹⁾	\$ 1,203,106
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>30.26%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.30%

Schedule of Collective Plan Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 47,006
Contributions in relation to the actuarially determined contribution	60,721
Contribution deficiency (excess)	<u>\$ (13,715)</u>
Covered payroll ⁽¹⁾	\$ 1,313,217
Contributions as a percentage of covered payroll	4.62%

Schedule of County Contributions

	<u>2018</u>
Actuarially determined contribution	\$ 42,716
Contributions in relation to the actuarially determined contribution	46,005
Contribution deficiency (excess)	<u>\$ (3,289)</u>
Covered payroll ⁽²⁾	\$ 1,220,638
Contributions as a percentage of covered payroll	3.77%

(1) For the 12 month period ending on December 31, 2017 (measurement date and plan year).

(2) For the 12 month period ending on June 30, 2018, fiscal year end.

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

Source: Orange County Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

INVESTMENT POLICY

The Board of Supervisors of the County approved the 2019 Investment Policy on December 18, 2018. 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 South Orange County Public Financing Authority ("SOCPFA") undertake no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

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

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

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

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

APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018

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DISTRICT
ATTORNEY

ADMINISTRATIVE

ORANGE COUNTY
DISTRICT
ATTORNEY

FOR THE YEAR ENDED JUNE 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ORANGE COUNTY, CALIFORNIA



County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2018



Eric H. Woolery, CPA
Auditor-Controller

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	15
Organizational Chart.....	16

FINANCIAL SECTION

Independent Auditor's Report	17
Management's Discussion and Analysis (Unaudited Required Supplementary Information)	20
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	41
Statement of Activities	43
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	45
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.	47
Statement of Revenues, Expenditures, and Changes in Fund Balances	49
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	51
Budgetary Comparison Statements:	
General Fund.....	53
Flood Control District.....	54
Other Public Protection	55
Mental Health Services Act.....	56
Proprietary Fund Financial Statements:	
Statement of Net Position	57
Statement of Revenues, Expenses, and Changes in Fund Net Position	59
Statement of Cash Flows.....	60
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	62
Statement of Changes in Fiduciary Net Position	63
Notes to the Basic Financial Statements:	
1. Summary of Significant Accounting Policies	64
2. Change in Accounting Principle	87
3. Deficit Fund Equity	87
4. Deposits and Investments	88
5. Changes in Capital Assets.....	102
6. Receivables	104
7. Interfund Receivables and Payables	104
8. County Property on Lease to Others.....	105

FINANCIAL SECTION (Continued)

Basic Financial Statements (Continued):

Notes to the Basic Financial Statements (Continued):

9. Interfund Transfers	106
10. Short-Term Obligations	109
11. Long-Term Obligations	110
12. Conduit Debt Obligations and Successor Agency Debt	119
13. Leases	120
14. Landfill Site Closure and Postclosure Care Costs	121
15. Construction and Other Significant Commitments	122
16. Self-Insurance	125
17. Pollution Remediation	126
18. Retirement Plans	130
19. Postemployment Health Care Benefits	142
20. Contingencies	150
21. Subsequent Events	150

Required Supplementary Information (Unaudited):

Orange County Employees Retirement System (OCERS):

Schedule of County's Proportionate Share of the Net Pension Liability	152
Schedule of County Contributions	152

Orange County Extra-Help Defined Benefit Plan:

Schedule of Changes in the Collective Plan Net Pension Liability and Related Ratios	153
Schedule of Investment Returns	153
Schedule of County's Proportionate Share of the Net Pension Liability	154
Schedule of Collective Plan Contributions	154
Schedule of County Contributions	154
Notes to Schedule	155

Orange County Retiree Medical Plan:

Schedule of Changes in the Collective Plan Net OPEB Liability and Related Ratios	156
Schedule of Investment Returns	156
Schedule of County's Proportionate Share of the Net OPEB Liability	157
Schedule of Collective Plan Contributions	157
Schedule of County Contributions	157
Notes to Schedule	158

Supplemental Information:

Nonmajor Governmental Funds:

Nonmajor Governmental Funds Description	159
Combining Balance Sheet	163
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	169

Budgetary Comparison Schedules:

Special Revenue	175
Debt Service	180
Capital Projects	181
Permanent Fund	182

FINANCIAL SECTION (Continued)

Supplemental Information (Continued):

Internal Service Funds:

Internal Service Funds Descriptions	183
Combining Statement of Net Position	184
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	186
Combining Statement of Cash Flows	188

Fiduciary Funds:

Fiduciary Funds Descriptions	190
Combining Statement of Fiduciary Net Position – Private-Purpose Trust Funds	192
Combining Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Funds	193
Combining Statement of Fiduciary Position – Pension and Other Employee Benefits Trust Funds	194
Combining Statement of Changes in Fiduciary Position – Pension and Other Employee Benefits Trust Funds	196
Combining Statement of Fiduciary Position – All Agency Funds	198
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	199

STATISTICAL SECTION

Financial Trends:

Introduction	201
Net Position by Component	202
Changes in Net Position	206
Fund Balances, Governmental Funds	210
Changes in Fund Balances of Governmental Funds	212

Revenue Capacity:

Assessed Value of Taxable Property	214
Direct and Overlapping Property Tax Rates	216
Principal Property Taxpayers	217
Property Tax Levies and Collections	218

Debt Capacity:

Ratios of Outstanding Debt by Type	219
Ratios of Net General Bonded Debt Outstanding	221
Legal Debt Margin as a Percentage of Debt Limit	222
Pledged Revenue Coverage	223

Economic and Demographic Information:

Demographic and Economic Statistics	224
Principal Employers	225

Operating Information:

Full-time Equivalent County Employees by Function	226
Operating Indicators by Function/Program	227
Capital Assets Statistics by Function	231







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December 17, 2018

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, 2018, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Vavrinek, Trine, Day & Co., LLP (VTD). 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, 2018, 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, 2018. 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

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

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 units, although legally separate entities, are, in substance, part of the County's operations and, therefore, data from these units are combined with data of the County. The County has two discretely presented component units, the Children and Families Commission of Orange County (CFCOC) and CalOptima, which require discrete presentation in the government-wide financial statements. The following entities are presented as blended component units in the basic financial statements for the year ended June 30, 2018: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, Capital Facilities Development Corporation, South Orange County Public Financing Authority, Orange County Public Facilities Corporation, Campaign Finance and Ethics Commission (CFEC), County Service Areas, Special Assessment Districts, Community Facility Districts, and In-Home Supportive Services Public Authority. Additional information on these entities can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

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

the budgetary process can be found in Note 1, Summary of Significant Accounting Policies, in the Notes to the Basic Financial Statements section.

The County's eGovernment website portal at www.ocgov.com provides online services and extensive information about the County government to Orange County residents, businesses, partners, and visitors. The County's website provides information and online services to the public 24/7. It includes information about the Board, County job listings, purchasing bid solicitations, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting videos, the ability to order birth, death and marriage certificates, search fictitious business names, find polling locations and election results, 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 constituents' ability to conduct business online with the County.

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

Two indicators of the County economy are: how well the local economy performs relative to surrounding counties, the state, and the nation (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 County's economy.

In terms of the external indicators, the County's economy continues to outperform local surrounding counties, the state, and national economies (in annual percentage growth).

The 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 2018, is expected to be 3.1% for Orange County, lower than the State of California at 3.2%, but higher than the U.S. at 2.5% (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	August 2018 Unemployment Rate
United States	3.9%
California	4.2%
Los Angeles County	5.1%
Riverside County	4.7%
San Bernardino County	4.2%
San Diego County	3.4%
Orange County	3.1%

Unemployment Rate

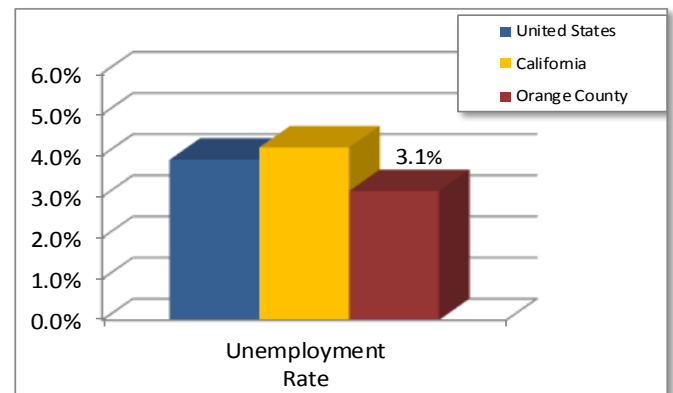


Table 2: 2018 – Projected Increase of the CPI

United States	California	Orange County
2.5%	3.2%	3.1%

Sources: State of California, Employment Development Department
California Department of Finance, April 2018

Note: Unemployment rates are for the month of August 2018

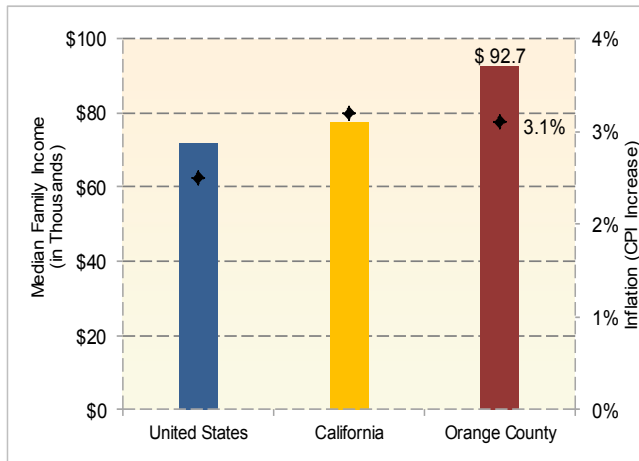
According to the Department of Housing and Urban Development, the County's median family income is expected to be \$92,700 (absolute dollars) in 2018, compared to \$88,000 (absolute dollars) in 2017. The median family income in the County continues to exceed all surrounding Southern California counties, the State of California, and the nation (see Table 3).

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$71,900
California	\$77,500
Orange County	\$92,700
San Diego County	\$81,800
Los Angeles County	\$69,300
Riverside County	\$65,800

Sources: U.S. Department of Housing and Urban Development, 2018

Comparisons of Inflation and Median Family Income



Sources: California Department of Finance, April 2018
U.S. Department of Housing and Urban Development, 2018

According to the California Association of Realtors, the median home sales price for existing homes in Orange County was \$838,500 (absolute dollars) in August 2018, representing a 6.3% increase relative to August 2017. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

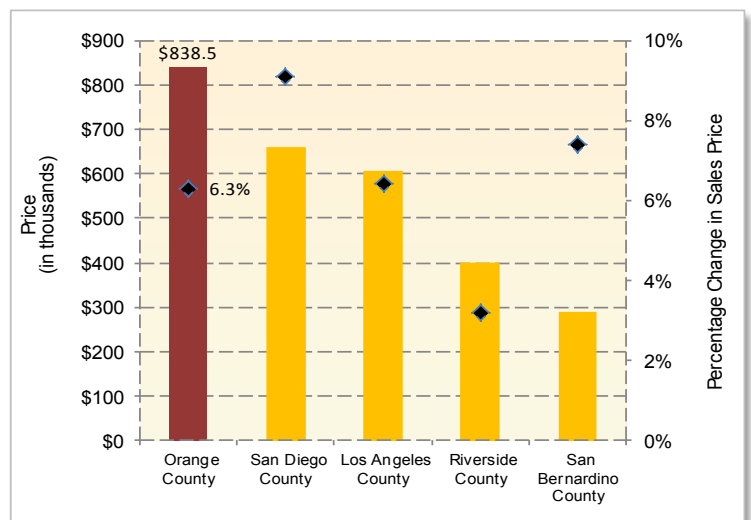
In terms of internal trends, current and projected indicators forecast that the Orange County economy will continue to be moderate, with job growth expected to increase by 2.4% in 2018.

Table 4: Median Home Sales Price Comparison- Southern California Counties – August 2018

Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Orange County	6.3%	\$838,500
San Diego County	9.1%	\$660,000
Los Angeles County	6.4%	\$607,490
Riverside County	3.2%	\$400,750
San Bernardino County	7.4%	\$290,000

Source: California Association of Realtors – Existing – Single-Family, 2018

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



Sources: CoreLogic Information System, August 2018

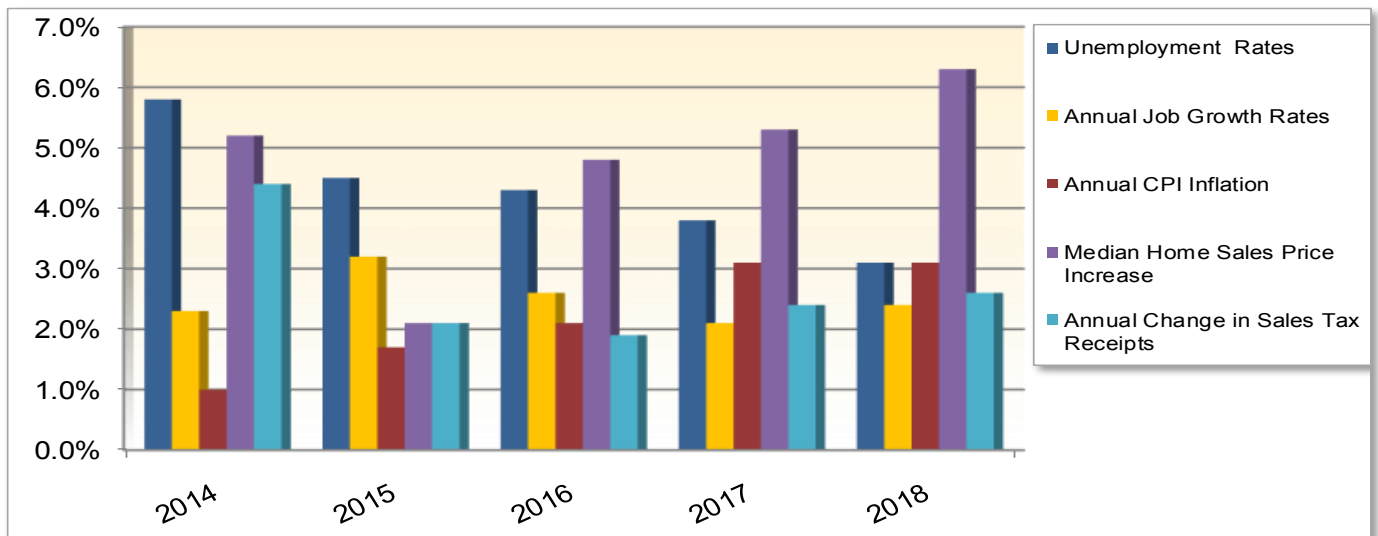
Table 5 shows various internal indicators reflecting steady growth of the County's economy. The unemployment rate decreased to 3.1% for the month of August 2018 relative to 3.8% for the month of August 2017. Job growth is expected to increase by 2.4% in 2018. Median home prices increased by 6.3% in August 2018, relative to 5.3% in August 2017. Sales tax receipts is forecasted to increase by 2.6% in 2018.

Table 5: Orange County Historical Data

Historical Indicators	2014	2015	2016	2017	2018
Unemployment Rates	5.8%	4.5%	4.3%	3.8%	3.1%
Annual Job Growth Rates	2.3%	3.2%	2.6%	2.1%	2.4%
Annual CPI Inflation	1.0%	1.7%	2.1%	3.1%	3.1%
Median Home Sales Price Increase	5.2%	2.1%	4.8%	5.3%	6.3%
Annual Change in Sales Tax Receipts	4.4%	2.1%	1.9%	2.4%	2.6%

Data in Table 5 for prior years may be different from previous years CAFR due to the timing of obtaining data. Data for 2018 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 2018
California Association of Realtors

In summary, the economy in Orange County continues to show signs of moderate 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 2018 Strategic Financial Plan (SFP) was presented to the Board on December 18, 2018. The 2018 SFP is the foundation in planning for continued financial stability and is augmented by the monitoring and establishment of budgetary control via the quarterly budget reporting process and adoption of the Annual Budget. The five-year SFP projections indicate that General Purpose Revenue will grow, on average, about 2.7% annually. The moderate growth rate for revenue, coupled with the increasing cost of doing business, will require the County to carefully

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

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

- The SFP reflects a 0% increase in Net County Cost allocations to departments for Fiscal Year (FY) 2019-20, 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
- 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. Plans are in place to establish a Behavioral Health Services campus at a site purchased in the City of Orange in March 2018 and for the second phase of the Civic Center Facilities Master Plan. Development of the County property at the former Marine Corps Air Station El Toro in Irvine and other various County-owned properties such as the Greenspot and Prado Dam properties will require up-front financial planning and investment in order to generate revenue in future years on a long-term basis.

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

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

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Revitalization Plan (Plan) includes revitalization of Dana Point Harbor's commercial core, marinas, and hotel. The Plan is a multi-phased and long-term public-private partnership project, where total development costs have been estimated in excess of \$150,000 pending final project design approvals. The Plan is a phased and systematic long-term rehabilitation and/or replacement of the commercial core, hotel, and waterside elements. County Executive Office Real Estate staff managed the process for selection of a potential private partner for the project and 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. On July 17, 2018, the Board approved option and ground lease agreements with DPHP and Dana Point Harbor Partners Drystack, LLC to administer and manage Dana Point Harbor and initiate entitlement approvals for certain portions of Dana Point Harbor for the long-term use and enjoyment by the public.

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

\$100,000 award. This project is estimated for completion in FY 2021-22. The County must front costs initially until the notice to proceed for construction is approved by the State. At that time, all past eligible costs incurred can be invoiced for reimbursement by the State in full, and all future costs will be invoiced for reimbursement by the State on an ongoing basis until construction completion and occupancy. It is anticipated that costs will be reimbursed beginning in FY 2019-20.

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

La Pata Avenue Gap Closure and Camino Del Rio Extension Project: The County is nearing completion of the construction of the La Pata Avenue Gap Closure Project (Project) that will widen La Pata Avenue and implement a gap closure between the cities of San Juan Capistrano and San Clemente. This is a cooperative project between the City of San Clemente, City of San Juan Capistrano, Rancho Mission Viejo, OC Waste & Recycling, and OC Public Works (OCPW), with the County acting as the lead agency. The Board awarded a construction contract for \$72,741 to Sukut Construction, Inc. (Sukut) on December 10, 2013. A construction management contract for \$7,706 was awarded to Hill International, Inc. on February 4, 2014, and later amended on October 6, 2015 to reduce the overall contract amount to \$6,706. The total Project cost is estimated at \$141,000 including a Contract Change Order of \$6,000 to Sukut approved by the Board in April 11, 2017. The Project is funded by State 1B, Measure M1 and M2, gas tax, La Pata Fee Program, OC Waste & Recycling, developer agreement, and community facility district revenues.

The groundbreaking ceremony was held on April 4, 2014. The ribbon cutting ceremony for the roadway gap closure was held on August 13, 2016 and the roadway was open to the public on August 14, 2016. Construction of the Camino Del Rio Extension Phase was completed in April 3, 2017. The final phase of the La Pata Widening is expected to be completed in FY 2018-19.

Bridges at Kraemer Place Year-Round Emergency Shelter (Bridges): 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 population with \$1,250 in funding support from the cities of Anaheim, Fullerton, Brea, and La Habra. The 24,450 square foot facility opened in phases, beginning with Phase I in May 2017 and reached maximum capacity in May 2018.

Central Utility Facility (CUF) Infrastructure Upgrade Project: The County has completed the primary portion of the of the CUF Project (Project) in the city of Santa Ana. The current phase is in place to replace one absorption chiller and provide steam line replacement to Building 26 (Santa Ana Library). A follow-on phase is being planned to remediate an issue identified with the new absorption chiller structural concrete pad and also to modify the steam system to accommodate the new absorption chiller. The primary phase of the Project replaced the cooling tower, chillers and pumps and has added a boiler and related equipment at the CUF. The Project replaces the original 1968 CUF components which were 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 is now 100% 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 (CMAR) construction phase services for the Project was awarded by the Board on January 26, 2016. An amendment to the CMAR contract was approved in December 2017 for \$1,980 to include steam connection to the County's Gates and Osborne buildings. 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. As of June 30, 2018, \$65,046 of \$68,000 bond proceeds were spent. The completion of the Project is anticipated to be completed in FY 2018-19.

Westminster Watershed Feasibility Study/East Garden Grove Wintersburg Channel: OCPW continues to work with the Army Corps of Engineers (USACE) to complete the Westminster Watershed Feasibility Study to the final milestone of Chief's Report (January 2020). Having reached the Tentatively Selected Plan milestone, OCPW can soon begin to construct reaches covered by the study while receiving Work-In-Kind credit towards OC Flood Control District's (OCFCD) portion of the expected 65% Federal/35% Non-Federal cost share. Improvements to OCFCD facilities will benefit several cities including Huntington Beach, Fountain Valley, Westminster, Garden Grove, Santa Ana and Seal Beach. As part of the study, USACE will conduct a public hearing for the study within the next several months. The study indicates that total construction cost is currently estimated at \$1,000,000.

Two projects for the East Garden Grove Wintersburg Channel are planned for construction by OCPW ahead of the formal partnership agreement with USACE. The reaches include Warner to Goldenwest, estimated at \$50,000 starting in FY 2018-19, and Confluence with Oceanview Channel to Beach Blvd estimated at \$11,000 starting in FY 2021-22.

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

Included in Phase I is a six-story building located at 601 N. Ross Street. On April 25, 2017, the Board approved the Phase 1B, construction of the new Building 16 within the Civic Center, the lease and leaseback of Building 16 property, and establishment of a nonprofit corporation as it related to the financing of Building 16 and the Civic Center Facilities Strategic Plan. Building 16 is to be occupied by several County departments and includes a one-stop shop public counter where the public will access services from multiple departments. There will be a 6,600-square-foot event/conference center, Building 18 located at 425 W. Santa Ana Boulevard, which is planned to be used by the County and the public. There will be 348 underground parking spaces.

The project's financing was facilitated through a Board adopted ordinance on May 9, 2017, identifying the legal authority for the issuance of bonds, approving a Ground Lease, a Facility Lease, and forming the Capital Facilities Development Corporation (Corporation). On June 22, 2017, the California Municipal Finance Authority (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. The expected completion date is August 2019.

On June 26, 2018, the Board approved a Program Management and Design Agreement for Phase 2A for the planning and design of the new Building 14 within the Civic Center, which will be a twin building of the above Building 16. Building 14 is to be occupied by several County departments and includes a Board of Supervisors Board Hearing room. The Board will review the Phase 2B, construction and financing of the new Building 14 in FY 2018-19.

Relevant Financial Policies

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

General Fund Reserves Policy

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

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

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

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

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

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

Reserve Targets and Descriptions

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

Contingencies

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

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

Relevant Financial Policies	
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	<p>The County's General Fund maintains a reserve for contingencies, which was established through the SFP process. The target amount for this reserve is 15% of ongoing annual General Purpose Revenues (excludes fund balance unassigned and one-time amounts and transfers), or \$120,740. This compares to the GFOA guidelines for funding contingencies at 15% or higher. The November 30, 2018 balance is \$65,000, approximately \$55,740 below the target.</p> <p>In addition to the reserve for contingencies, the County budgets an annual appropriation for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities of no less than \$5,000 in the General Fund.</p>
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, the Ex-Officio elected Treasurer-Tax Collector (non-voting), 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	<p>The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS). In addition, the TOC causes an annual audit of the County's compliance with the IPS. The TOC shall also investigate any and all irregularities in the treasury operations, which become known to the TOC. The TOC has an approved policy to investigate and report such irregularities.</p> <p>Annually, the TOC reviews the IPS, including all proposed amendments or modifications to the IPS. The elected Treasurer-Tax Collector then submits the IPS to the Board for approval, including any additions or amendments thereto. The TOC membership consists of the following: The elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, or their respective designees, and four members of the public. The public members shall be nominated by the elected Treasurer-Tax Collector and confirmed by the Board.</p>
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

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

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

Labor Agreements: Most County employees are represented by one of 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 9,777 permanent filled employee positions. The next largest unions are the Association of County Deputy Sheriffs, which represents four bargaining units totaling about 2,893 members and the American Federation of State and Municipal Employees at about 1,428 members. All but two contracts have been successfully negotiated and County employees continue to work under their contract terms with no interruption.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Awards: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the year ended June 30, 2017; this represents the County's 23rd 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 15th consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2017. The County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to be awarded, a government must publish a PAFR that reflects the program standards of creativity, presentation, understandability, and reader appeal. The "OC Citizens' Report" is available for viewing at www.ocgov.com.

Distinguished Budget Presentation Award: The GFOA awarded a Distinguished Budget Presentation Award to the County for its FY 2017-18 Annual Budget; this is the County's second award. The award is the highest form of recognition in governmental budgeting. In order to receive the award, the entity had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to acknowledge how well an entity's budget serves as a policy document, a financial plan, an operations guide, and a communications device.

Counties Financial Transactions Reporting Award: The County received the Financial Transactions Reporting Award from the State Controller's Office for its Year-End Financial Transaction Report for the fiscal year ended June 30, 2017. The award is in recognition of the professionalism demonstrated by Counties in preparing accurate and timely financial reports and for those counties that meet the review criteria of the award program.

Acknowledgments: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of VTD. 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 Aguirre
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**County of Orange
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

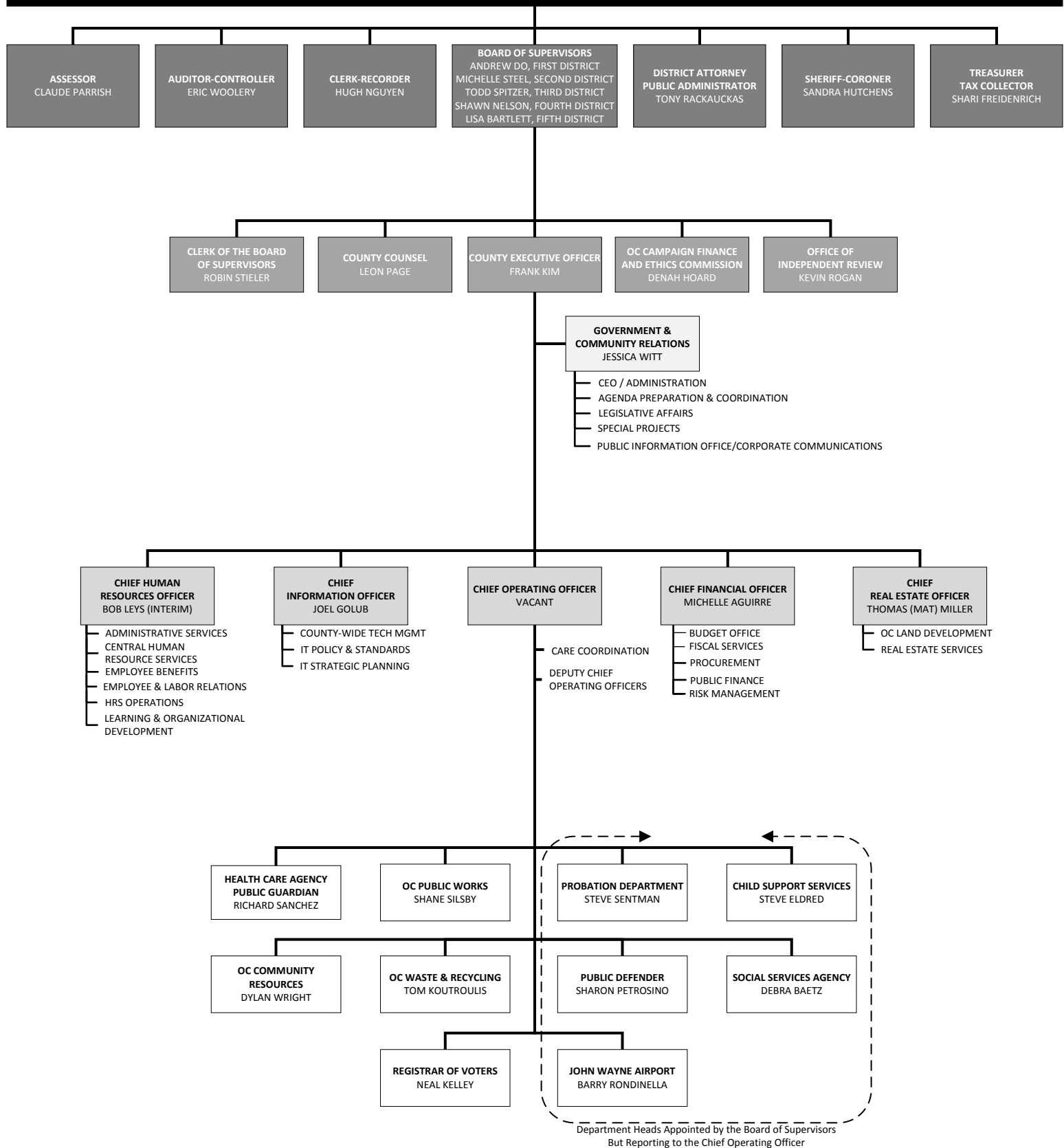
Christopher P. Morill

Executive Director/CEO



County of Orange Organizational Chart

PEOPLE OF ORANGE COUNTY











VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
County of Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Orange County Health Authority, a Public Agency/dba Orange Prevention and Treatment Integrated Medical Assistance (CalOptima), which collectively represent 97%, 95%, and 99%, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CalOptima, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statements for the General fund, Flood Control District fund, Other Public Protection fund, and Mental Health Services Act fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1, 2, and 19 to the financial statements, the County adopted Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. 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 on pages 20 through 40 and the schedules for the Orange County Employees Retirement System (OCERS) plan, Orange County Extra-Help Defined Benefit plan, and Orange County Retiree Medical plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Laguna Hills, California

December 17, 2018





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, 2018. 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 \$372,744 for the fiscal year, and it increased net position by 18% from prior year.
- Long-term debt obligations decreased by \$67,621 or 19% during the current fiscal year.
- The County's governmental funds reported combined ending fund balances of \$2,499,505, a decrease of \$78,964 or 3% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 2% below budget.
- General Fund expenditures and other financing uses ended the year 5% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Government-wide Financial Statements

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

The Statement of Net Position and the Statement of Activities distinguish functions of the County that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include (1) general government, (2) public protection, (3) public ways and facilities, (4) health and sanitation, (5) public assistance, (6) education, and (7) recreation and cultural services. The business-type activities of the County include John Wayne Airport (Airport), 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: www.ocgov.com. A separate stand-alone CalOptima annual financial report can be obtained by accessing the website at <http://wpso.dmhc.ca.gov/fe/search/>.

Fund Financial Statements

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

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

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

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

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

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

Proprietary Funds - The County maintains two different types of proprietary funds: Enterprise funds and Internal Service funds. **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport, 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.

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

Notes to the Basic Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At June 30, 2018, the County's combined net position (governmental and business-type activities) totaled \$2,464,735, a decrease of 2% from unrestated FY 2016-17.

The largest component of the County's net position, which totals \$3,831,242, was **net investment in capital assets**, which represents the County's investment in capital assets, less any related outstanding debt used to acquire those assets and debt-related deferred outflows and inflows of resources. The County's capital assets are used to provide needed services to its citizens. Since the capital assets themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

COMPONENTS OF NET POSITION

- Net Investment in Capital Assets
- Restricted
- Unrestricted

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

The County's **restricted** net position of \$1,491,317 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, 2018, the County's unrestricted net position totals a deficit of \$2,857,824. Among governmental activities the deficit was \$3,312,306 in unrestricted net position, compared to its deficit of \$3,074,958 at June 30, 2017. 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, 2018 and 2017						
	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017*</u>
ASSETS						
Current and Other Assets	\$ 3,562,470	\$ 3,635,467	\$ 867,075	\$ 895,588	\$ 4,429,545	\$ 4,531,055
Capital Assets	3,147,060	2,933,640	949,353	897,739	4,096,413	3,831,379
Total Assets	6,709,530	6,569,107	1,816,428	1,793,327	8,525,958	8,362,434
DEFERRED OUTFLOWS OF RESOURCES	1,051,004	822,809	20,411	17,251	1,071,415	840,060
Total Deferred Outflows of Resources	1,051,004	822,809	20,411	17,251	1,071,415	840,060
LIABILITIES						
Long-term Liabilities	5,062,307	4,893,118	435,786	454,141	5,498,093	5,347,259
Other Liabilities	726,617	696,941	73,521	94,819	800,138	791,760
Total Liabilities	5,788,924	5,590,059	509,307	548,960	6,298,231	6,139,019
DEFERRED INFLOWS OF RESOURCES	818,737	546,666	15,670	11,658	834,407	558,324
Total Deferred Inflows of Resources	818,737	546,666	15,670	11,658	834,407	558,324
NET POSITION						
Net Investment in Capital Assets	3,031,574	2,813,296	799,668	708,286	3,831,242	3,521,582
Restricted	1,433,605	1,516,853	57,712	78,179	1,491,317	1,595,032
Unrestricted	(3,312,306)	(3,074,958)	454,482	463,495	(2,857,824)	(2,611,463)
Total Net Position	\$ 1,152,873	\$ 1,255,191	\$ 1,311,862	\$ 1,249,960	\$ 2,464,735	\$ 2,505,151

* The balances shown in FY 2017 have not been restated to include adjustments in Note 2, Change in Accounting Principle

As of June 30, 2018, the County's total assets and deferred outflows of resources increased by 4% or \$394,879 during the current fiscal year. Capital assets increased by \$265,034 primarily due to construction projects related to the Civic Center Facilities Master Plan, Airport Terminal Improvements, Central Utility Facility (CUF) Upgrade, and various other projects completed for road infrastructure. Offsetting the increase in capital assets, was a decrease in current and other assets primarily caused by a decrease in restricted cash and cash equivalents due to the loan provided in FY 2016-17 for the Civic Center Facilities Master Plan construction and partial redemption of the Series 2009 Airport Revenue Bonds. In addition, there was an increase for deferred outflows of resources of \$231,355 primarily due to an increase in deferred outflows related to pension and OPEB, which reflects the changes in net pension and OPEB liability measurements as required by GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27," (GASB Statement No. 68) and GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pension" (GASB Statement No. 75).

Total liabilities and deferred inflows of resources for FY 2017-18 increased by 6% or \$435,295. Long-term liabilities increased by 3% or \$150,834 mainly as a result of the County's proportionate share of the net pension and net OPEB liability. Deferred inflows of resources increased \$276,083 due to the changes in the net OPEB liability

measurements used in the actuarial study as required by GASB Statement No. 75, offset by a decrease in changes for pension.

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, 2018 and 2017						
	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017*</u>	<u>2018</u>	<u>2017*</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 657,083	\$ 624,210	\$ 315,090	\$ 304,350	\$ 972,173	\$ 928,560
Operating Grants and Contributions	2,175,087	2,067,777	272	69	2,175,359	2,067,846
Capital Grants and Contributions	123,575	113,481	4,829	1,828	128,404	115,309
General Revenues:						
Property Taxes	542,466	510,072	--	--	542,466	510,072
Property Taxes in Lieu of						
Motor Vehicle License Fees	372,728	351,011	--	--	372,728	351,011
Other Taxes	99,889	98,216	82	78	99,971	98,294
Grants and Contributions not Restricted to Specific Programs	10,757	8,434	--	--	10,757	8,434
State Allocation of Motor Vehicle License Fees	1,615	1,234	--	--	1,615	1,234
Other General Revenues	90,553	99,989	9,525	4,883	100,078	104,872
Total Revenues	4,073,753	3,874,424	329,798	311,208	4,403,551	4,185,632
EXPENSES						
General Government	196,233	186,340	--	--	196,233	186,340
Public Protection	1,475,626	1,485,137	--	--	1,475,626	1,485,137
Public Ways and Facilities	151,779	97,928	--	--	151,779	97,928
Health and Sanitation	656,234	593,617	--	--	656,234	593,617
Public Assistance	1,102,747	1,097,327	--	--	1,102,747	1,097,327
Education	48,412	44,510	--	--	48,412	44,510
Recreation and Cultural Services	123,798	112,749	--	--	123,798	112,749
Interest on Long-Term Debt	25,741	17,544	--	--	25,741	17,544
Airport	--	--	124,466	125,522	124,466	125,522
Waste Management	--	--	125,472	105,149	125,472	105,149
Compressed Natural Gas	--	--	299	367	299	367
Total Expenses	3,780,570	3,635,152	250,237	231,038	4,030,807	3,866,190
Excess before Transfers	293,183	239,272	79,561	80,170	372,744	319,442
Transfers	10,767	25,922	(10,767)	(25,922)	--	--
Change in Net Position	303,950	265,194	68,794	54,248	372,744	319,442
Net Position - Beginning of the Year, as Restated	848,923	989,997	1,243,068	1,195,712	2,091,991	2,185,709
Net Position - End of the Year	\$ 1,152,873	\$ 1,255,191	\$ 1,311,862	\$ 1,249,960	\$ 2,464,735	\$ 2,505,151

* The balances shown in FY 2017 have not been restated to include adjustments in Note 2, Change in Accounting Principle

The County's net position, excluding the restatement of net position, increased by \$372,744 during the current fiscal year. Revenues for the year totaled \$4,403,551 an increase of \$217,919 from prior year's total revenues. Expenses totaled \$4,030,807 an increase of \$164,617 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 2017-18, total revenues for governmental activities, including transfers from the business-type activities were \$4,084,520 an increase of \$184,174 from the previous year. Expenses totaled \$3,780,570 an increase of \$145,418 from the prior year. During the current fiscal year, net position for governmental activities increased by \$303,950 from the prior fiscal year after restatement of beginning net position as of July 1, 2017 for an ending balance of \$1,152,873. Key elements of the increase are as follows:

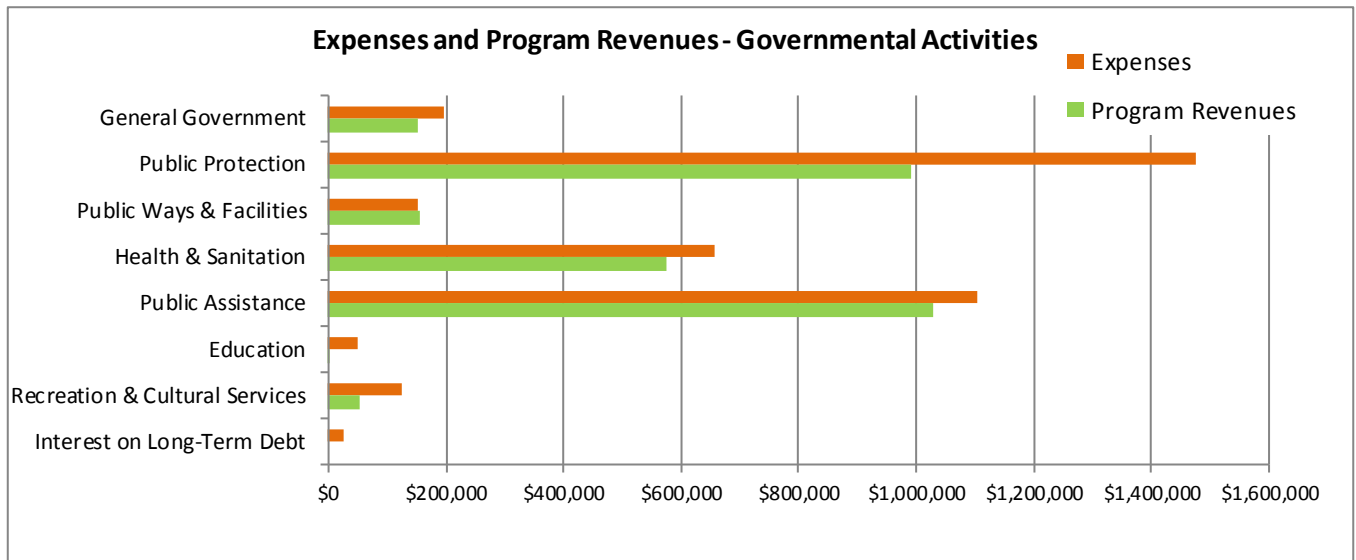
Revenues

- Operating grants and contributions increased by \$107,310, primarily due to increased allocations from the State for Mental Health Services and an increase in revenue received for social services related to CalWORKS assistance programs, In-Home Supportive Services (IHSS) programs, and Child Welfare services.
- Charges for services increased by \$32,873, primarily from an increase in revenue from law enforcement contracts with cities and from the Homeless Outreach Team. In addition, there was an increase in revenue recognized for the continued work on the 800 MHz Countywide Coordinated Communication System (CCCS).
- Property taxes increased by \$32,394, primarily due to an increase in secured assessed values.
- Property taxes in lieu of Motor Vehicle License Fees increased by \$21,717, primarily due to growth in secured property tax roll values.

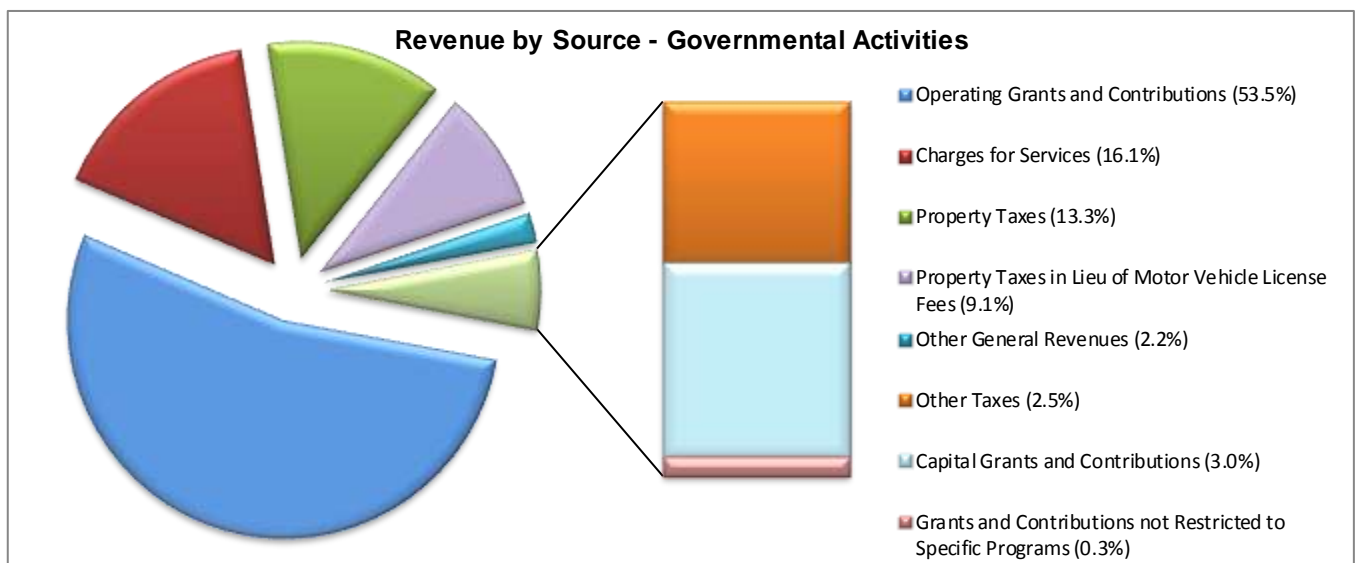
Expenses

- Expenses in health and sanitation increased by \$62,617 primarily due to an increase in Mental Health Services Act (MHSA) program expenses and the purchase of an office building for behavioral health care services.
- Expenses in public ways and facilities increased by \$53,851, primarily due to an increase in South County Roadway Improvement Program (SCRIP) fee credits paid to the developer for the I-5/Ortega Highway Interchange Project and La Pata Avenue Improvements, and an increase in depreciation expense for completed infrastructure projects.
- Expenses in public protection decreased by \$9,511, due to less CWCAP costs charged to the Sheriff-Coroner's Department offset by an increase in salaries and benefits (S&EB) primarily in the Sheriff-Coroner's Department, and an increase in Probation distribution of administration costs.
- Expenses in interest on long-term debt increased by \$8,197, primarily due to interest paid to bond holders for the loan provided by the California Municipal Finance Authority (CMFA) for the Lease Revenue Bonds, Series 2017A.

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

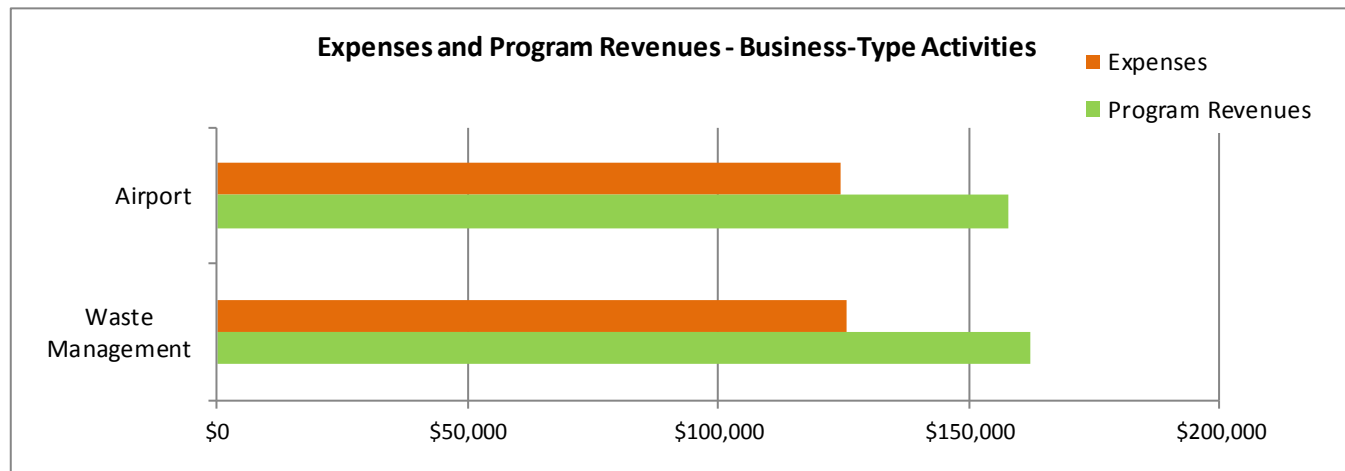


The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

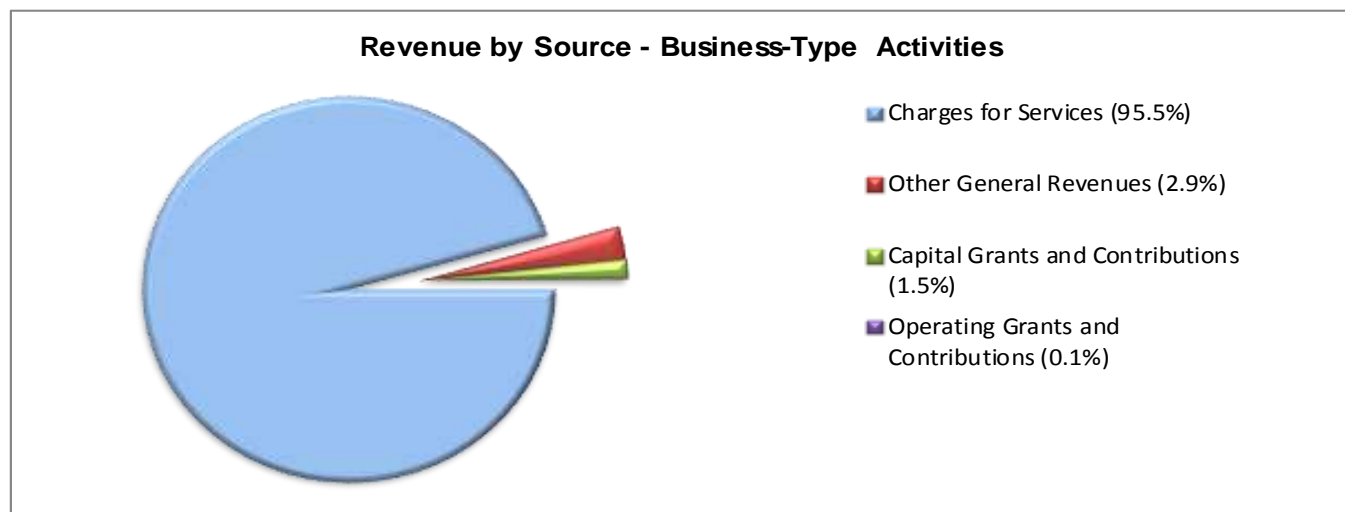
The County has three business-type activities: Airport, Waste Management, and CNG. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported charges for services as their largest source of revenues.



At the end of FY 2017-18, the business-type activities' total revenues exceeded expenses and transfers resulting in an increase of \$68,794 in net position compared to the prior year's increase in net position of \$54,248. Revenues totaled \$329,798 an increase of \$18,590 from the previous fiscal year, which is primarily attributable to increases in revenue from Waste Management's importation disposal tonnage and fees, as well as the Airport's increase in overall operating revenues, interest income, and capital grant contributions.

Expenses, including transfers to governmental activities, totaled \$261,004 representing an increase of \$4,044 from the previous year. This increase is primarily due to Waste Management's increases in pollution remediation expenses, services and supplies (S&S), as well as increases for the Airport's professional and specialized services and S&EB. These increases were partially offset by a decrease in interest expense for the Airport. 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, 2018, the County's governmental funds reported total fund balances of \$2,499,505 which is a decrease of \$78,964 in comparison with prior year ending fund balances.

Comparative Analysis of Changes in Fund Balances

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

GOVERNMENTAL FUNDS

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCES

For the Years Ended June 30, 2018 and 2017

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General Fund	\$ 3,345,890	\$ 3,167,897	\$ 3,288,004	\$ 3,144,843	\$ 57,886	\$ 23,054
Flood Control District	149,683	151,353	179,023	144,469	(29,340)	6,884
Other Public Protection	94,382	79,074	81,515	81,587	12,867	(2,513)
Mental Health Services Act	169,546	153,076	178,523	138,075	(8,977)	15,001
Other Governmental Funds	849,433	1,193,132	960,833	1,014,615	(111,400)	178,517
Total	\$ 4,608,934	\$ 4,744,532	\$ 4,687,898	\$ 4,523,589	\$ (78,964)	\$ 220,943

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 2017-18, revenues and other financing sources exceeded expenditures and other financing uses resulting in an increase in fund balance of \$57,886 compared to last year's increase in fund balances of \$23,054. Revenues and other financing sources increased by \$177,993, and expenditures and other financing uses increased by \$143,161. 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 2017-18:

Revenues

- Transfers to the General Fund increased by \$69,086, primarily due to an increase in Prop 63 drawdowns from the MHSA program and increases for Social Services Agency (SSA) Wraparound program claims.
- Intergovernmental revenues increased by \$66,699 mainly due to increases in payment from the State for Senate Bill 90 (SB90) claims, higher payments received for the CalWORKS assistance and IHSS programs.
- Taxes increased by \$41,839, primarily due to increases in secured property taxes and property taxes in-lieu of vehicle license fees (VLF) resulting from an increase in secured assessed values.

Expenditures

- Expenditures for health and sanitation increased by \$70,910 mainly in programs such as MHSA, as well as for the purchase of an office building for behavioral health care services.
- Expenditures for public protection increased by \$55,735. Factors contributing to this increase were the ongoing operational cost increases in the Sheriff-Coroner's Department for S&EB due to additional costs for jail operations and city contracts.

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 2017-18, there was a decrease in fund balance of \$29,340 compared to last year's increase of \$6,884. Revenues and other financing sources decreased by \$1,670 mainly due to lower intergovernmental revenues related to the Santa Ana River (SAR) Subvention claims and release of retentions. Expenditures and other financing uses increased by \$34,554 primarily due to an increase in construction costs for the San Juan Creek Channel and Fullerton Creek Channel, as well as the purchase of a property required for the Prado Dam Project.

Other Public Protection

This group of funds is used to account for safety and law enforcement activities. At the end of FY 2017-18, there was an increase in fund balance of \$12,867 compared to last year's decrease in fund balance of \$2,513. Revenues and other financing sources increased by \$15,308, which was primarily attributable to the increase in charges for services for the 800 MHz CCCS. Offsetting this increase was a decrease of transfers in to the General Fund for the 800 MHz CCCS. Expenditures and other financing uses decreased by \$72, primarily due to transfers out to reimburse the Sheriff-Coroner's Department for various S&EB expenses. Offsetting the decrease in expenditures and other financing uses was an increase in capital outlay primarily due to continued replacement of obsolete radio equipment for the 800 MHz CCCS.

Mental Health Services Act (MHSA)

This fund accounts for purpose restricted MHSA revenues. At the end of FY 2017-18, fund balance decreased by \$8,977 compared to last year's increase in fund balance of \$15,001. Revenues and other financing sources increased by \$16,470 primarily due to higher allocation from the State. Expenditures increased by \$40,448 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 2017-18, fund balance decreased by \$111,400 in comparison to prior year's increase in fund balance of \$178,517. Revenues and other financing sources decreased by \$343,699, primarily due to lower transfers in for Non-General Fund multi-year countywide capital projects and the one time FY 2016-17 loan proceeds from the CMFA to construct part of the Civic Center Facilities Master Plan. Expenditures and other financing uses decreased by \$53,782, primarily due to a decrease in transfers out for projects such as the Civic Center Facilities Master Plan construction and the CUF Infrastructure Upgrade. Offsetting these decreases was an increase in public ways and facilities expenditures for lower SCRIP fee credits paid to developers.

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

COMPARATIVE FUND BALANCE Governmental Funds June 30, 2018 and 2017				
	2018	2017	Increase/(Decrease) %	
General Fund	\$ 808,778	\$ 750,892		8 %
Flood Control District	409,212	438,552		(7)%
Other Public Protection	156,164	143,297		9 %
Mental Health Services Act	247,982	256,959		(3)%
Other Governmental Funds	877,369	988,769		(11)%
Total	\$ 2,499,505	\$ 2,578,469		(3)%

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 years:

ENTERPRISE FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, CONTRIBUTIONS, TRANSFERS, AND CHANGES IN FUND NET POSITION For the Years Ended June 30, 2018 and 2017							
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Position		
	2018	2017	2018	2017	2018	2017	
Airport	\$ 161,700	\$ 152,880	\$ 124,751	\$ 126,052	\$ 36,949	\$ 26,828	
Waste Management	168,105	158,045	136,792	131,430	31,313	26,615	
Compressed Natural Gas	348	326	380	517	(32)	(191)	
Total	\$ 330,153	\$ 311,251	\$ 261,923	\$ 257,999	\$ 68,230	\$ 53,252	

Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at the Airport. At the end of FY 2017-18, there was an increase of \$36,949 in fund net position compared to the prior year increase of \$26,828. Revenues, contributions and transfers increased by \$8,820, primarily due to an increase in overall operating revenues, interest income, and capital grant contributions from the Federal Aviation Administration for reimbursement of expenses. Expenses decreased by \$1,301 primarily due to a decrease in interest expense, partially offset by an increase in professional and specialized services and S&EB.

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 2017-18, there was an increase of \$31,313 in fund net position compared to the prior year increase of \$26,615. Revenues, contributions and transfers increased by \$10,060, which was primarily due to an increase in sanitation and landfill disposal tonnage and fees collected for waste, recycling and importation. Expenses and transfers increased by \$5,362, primarily due to an increase in pollution remediation expenses and S&S.

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 2017-18, there was a decrease of \$32 in fund net position compared to the prior year decrease of \$191. Revenues increased by \$22 due to an increase in CNG fuel sales and CNG/Propane tax refunds and credits received. Expenditures decreased by \$137 due to a decrease in monthly maintenance, repairs and services, and a decrease in transfers out to OC Flood Control District Fund for the last reimbursement payment for maintenance and repair of the compressed natural gas station.

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:

Charges for Services

- An increase of \$2,856 in Sheriff-Coroner law enforcement services due to adjustments to city contracts for police services and the expansion of law enforcement services in the County's flood control channels.
- An increase of \$1,500 due to higher than projected real estate services for Non-General Fund departments.
- An increase of \$1,423 in mental health services mainly to offset for a decrease in transfers related to the Tobacco Settlement claim revenue.

Intergovernmental

- An increase of \$13,703 in SSA to due to the anticipation of more State and Federal allocations and grants for various programs including Medi-Cal, CalFresh, and CalWORKs.
- An increase of \$8,477 for Proposition 172 revenue in the Sheriff-Coroner and District Attorney departments to support their operations.
- An increase of \$2,857 in the Probation Department due to unanticipated State realignment revenue and funds for the Juvenile Hall security camera project.

Transfers In

- An increase of \$14,155 primarily from the Countywide Capital Projects Non-General Fund mainly for the funding of County Shelter programs and flood channel engagement services.
- An increase of \$5,673 in the Sheriff-Coroner Department mainly to support the department's revenue shortfall.
- An increase of \$3,251 in the Health Care Agency (HCA) to support ongoing program costs for the Mental Health Service Act, Tobacco Settlement, and Bioterrorism Center for Disease Control (CDC) funds.
- An increase of \$2,194 in the District Attorney Department primarily to cover costs related to the Rapid DNA Program, the purchase of Criminal Justice Information Services compliant network equipment, and to support the cost of prosecution services.

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 \$68,730 less than budgeted amount was primarily comprised of the following:
 - \$21,818 less received in HCA due to lower than expected drawdowns in MHSA and a delay in transfers from the OC Tobacco Settlement Revenue Fund.
 - \$21,110 less received from the Teeter Tax Loss Reserve Fund which was determined to be unnecessary.
 - \$5,655 less received in SSA mainly attributable to lower than anticipated Wraparound expenditures and less utility cost reimbursements for the Tustin Family Campus program.
 - \$5,555 less received in the Sheriff-Coroner due to lower revenues received for the State Criminal Alien Assistance Program (SCAAP) and less reimbursements received for the Integrated Jail Management System Project.
 - \$4,080 less received in the District Attorney Department due to lower than expected drawdowns from the Proposition 64 Consumer Protection Fund and the Excess Public Safety Sales Tax Fund.

Intergovernmental

- A \$38,676 less than budgeted amount was primarily comprised of the following:
 - \$31,516 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, and the delayed IT equipment purchases.
 - \$6,511 more recorded in the County Local Revenue Fund 2011 Law Enforcement Services Account due to the accrual of unspent funds.
 - \$5,882 less received in Sheriff-Coroner Court Operations due to an unanticipated shortfall in State Realignment revenue for Trial Court Security.
 - \$5,704 less received in HCA due primarily to lower eligible expenditures for Mental Health Services and Alcohol and Drug Abuse Services due to higher than anticipated staffing vacancies and lower contract services.
 - \$3,229 less received in OC Community Resources due to less than expected revenue for Office on Aging and Community Investment programs.
 - \$2,442 more in federal revenues received in HCA due to an increase in Substance Abuse Prevention and Treatment (SAPT) Block Grant revenues.
 - \$2,388 more received in the Sheriff-Coroner due to higher than anticipated revenues for 2011 Public Safety Realignment (AB109).

Taxes

- A \$21,589 more than budgeted amount was primarily comprised of the following:
 - \$7,676 more in VLF Swap property taxes resulting from an increase in secured assessed values.
 - \$7,666 more in other taxes due to an increase in revenues received for former California Redevelopment Agencies (RDA) residual and pass-through distributions.
 - \$5,787 more in current secured property taxes resulting from an increase in secured assessed values.

Original Expenditure Budget vs. Final Expenditure Budget

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

Sheriff-Coroner

- An increase of \$24,365 due to unanticipated higher costs for S&EB associated with providing expanded law enforcement services and added positions offset by a decrease in utilities expenditures.

Utilities

- An increase of \$15,993 primarily due to changing the utility costs to a centralized method.

Capital Projects

- An increase of \$14,054 due to the anticipation of an increase in transfers out to the Countywide Capital Projects Non-General Fund for the re-budget of multi-year projects and various other projects, purchase of an industrial garbage grinder for the Theo Lacy Jail, and purchase of an emergency generator at Sheriff-Coroner headquarters.

Social Services Agency

- An increase of \$13,471 due to the anticipation of an increase in transfers out to Wraparound for a one-time adjustment related to an increase in the Wraparound rate per Assembly Bill (AB) 404 and to cover salary increases.

2005 Lease Revenue Refunding Bonds

- A decrease of \$7,964 in budgeted appropriations due to a decrease in transfers in from the Waste Management Bankruptcy Recovery Plan.

Final Expenditure Budget vs. Actual Expenditure Amounts

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

Social Services Agency

- A \$43,746 lower than budgeted amount primarily due to lower expenditures for salaries, health insurance, professional and specialized contracted services related to CalWORKs programs, as well as lower expenditures for IT professional services contracts, rents and leases, and building improvements.

Health Care Agency

- A \$30,858 lower than budgeted amount primarily caused by lower contracted services associated with MHSA programs and lower than anticipated contract pharmacy expenditures. This was offset by an increase in expenditures related to temporary-shelter.

OC Community Resources

- A total of \$9,778 lower than budgeted amount mostly as a result of keeping positions vacant throughout the year in support services and lower professional service contracts.

OC Public Works

- A total of \$9,936 lower than budgeted amount primarily due to lower expenditures in areas such as janitorial S&S, maintenance and improvements, CEO IT services support, and garage expenditures for parking.

Capital Projects

- A total of \$9,508 lower than budgeted amount was primarily the result of lower expenditures related to various projects such as the Year-Round Emergency Shelter and Multi Service Center and other structure and improvement projects.

District Attorney

- A total of \$7,191 lower than budgeted amount mainly as a result of lower expenditures for S&EB, professional and specialized contracted services, rents and leases, as well as a reduction in office expenses.

Sheriff-Coroner

- A \$6,264 lower than budgeted amount primarily due to lower than expected costs for professional and specialized contracted services, lower facility maintenance expenditures, and the deferring of equipment purchases.

Property Tax System Centralized Operations & Maintenance Support

- A total of \$4,473 lower than budgeted amount primarily due to lower expenditures for the Property Tax System Re-platforming Project.

Child Support Services

- A \$4,139 lower than budgeted amount primarily due to lower expenditures for S&EB, and professional and specialized services.

Capital Assets

At June 30, 2018, the County's capital assets for both the governmental and business-type activities amounted to \$4,096,413, 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 7%.

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

CAPITAL ASSETS (Net of Accumulated Depreciation) June 30, 2018 and 2017							
	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Land	\$ 850,659	\$ 839,273	\$ 38,339	\$ 37,842	\$ 888,998	\$ 877,115	1 %
Structures and Improvements	654,228	552,210	459,357	481,227	1,113,585	1,033,437	8 %
Land Improvements	3,529	3,811	--	--	3,529	3,811	(7)%
Equipment	173,717	139,846	34,541	25,589	208,258	165,435	26 %
Software	37,932	44,208	2,615	2,891	40,547	47,099	(14)%
Infrastructure	1,201,381	1,165,681	230,555	246,003	1,431,936	1,411,684	1 %
Intangible in Progress	14,786	5,562	749	255	15,535	5,817	167 %
Land Use Rights	3,999	7,602	--	--	3,999	7,602	(47)%
Construction in Progress	206,829	175,447	183,197	103,932	390,026	279,379	40 %
Total	\$ 3,147,060	\$ 2,933,640	\$ 949,353	\$ 897,739	\$ 4,096,413	\$ 3,831,379	7 %

The following lists the significant capital asset expenditures in FY 2017-18:

General Fund

- \$7,877 for the purchase of an office building for HCA to provide behavioral health care services
- \$7,322 for the construction costs associated with the Year-Round Emergency Shelter and Multi Service Center
- \$5,977 for the Integrated Jail Management System

- \$4,867 for the purchase of an Airbus helicopter for Sheriff-Coroner
- \$2,297 for the Property Tax System Re-platforming Project
- \$2,006 for the purchase of mail sorting equipment for Registrar of Voters
- \$1,412 for the Computerized Maintenance Management System (CMMS)
- \$1,257 for the purchase of IT hardware, software and services for District Attorney/Public Administrator

Flood Control District

- \$23,679 for the San Juan Creek Channel Project
- \$10,892 for the Fullerton Creek Channel Project
- \$4,904 for the purchase of property required for the Prado Dam Project
- \$1,883 for the San Joaquin Rehabilitation Project
- \$1,440 for the purchase of various vehicles such as a bulldozer, water truck, and street sweeper
- \$1,270 for heating, ventilation, and air conditioning at the Glassell Building

Other Public Protection

- \$23,735 for the replacement of obsolete radio equipment

Other Governmental Funds

- \$44,396 for the Civic Center Facilities Master Plan, Building 16 construction project
- \$14,351 for the La Pata Avenue Gap Closure/Camino Del Rio Extension construction
- \$11,221 for the new OC Animal Care Center construction
- \$8,269 for the Edinger Avenue bridge replacement over Bolsa Chica Channel Project
- \$3,962 for the Mile Square Multi-purpose Facility construction
- \$2,822 for the Crawford Canyon Road Drainage Improvements Project
- \$2,387 for the James A. Musick Facility security fence project

Airport

- \$38,116 for the Terminal Improvements Project
- \$3,473 for the Paularino Gate Improvements Project
- \$3,301 for the Taxiway "B" Rehabilitation Project
- \$1,189 for the purchase of Aircraft Rescue and Fire Fighting vehicles and Police Interceptor vehicles
- \$1,174 for the replacement of Terminal A & B Air Handlers

Waste Management

- \$16,877 for the Frank R. Bowerman Landfill Soil Buttress and Composite Liner Construction Project
- \$7,155 for the Olinda Alpha Landfill Front Slope Improvement Project
- \$7,013 for the purchase of heavy equipment at the North Regional Landfill
- \$4,630 for the purchase of heavy equipment at the Central Regional Landfill
- \$3,156 for the Zone 1 Phase D Mass Excavation & Liner Construction Project at Prima Deschecha Landfill

Internal Service Funds

- \$12,298 for the purchase of vehicles countywide for OC Fleet Services

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

Commitments for Capital Expenditures

At the end of FY 2017-18, significant commitments for capital expenditures included the following:

- \$110,869 for the Civic Center Facilities Master Plan Project
- \$21,647 for the Fullerton Creek Channel D/S Western Ave to U/S Beach Blvd Improvement Project
- \$8,090 for the Olinda Front Face Partial Closure Phase II
- \$9,399 for the San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr Project

- \$7,952 for the Edinger Avenue Bridge Replacement over Bolsa Chica Channel Project
- \$7,750 for the Frank R. Bowerman Landfill Soil Buttress and Liner Construction Project
- \$6,792 for the Lane Channel – U/S Jamboree Rd to D/S Main St Phase 1 Project
- \$5,894 for the purchase of various vehicles
- \$4,844 for the for the Zone 1 Phase D Mass Excavation & Liner Construction Project at Prima Deschecha Landfill
- \$4,379 for the San Diego Creek Sediment Removal I-405 Project
- \$3,692 for the Property Tax System Re-platforming Project

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

Long-Term Debt

At June 30, 2018, the County had total debt obligations outstanding of \$294,589 excluding long-term liabilities such as compensated absences payable, pension, OPEB, Civic Center Facilities Master Plan financing, and capital lease obligations payable. During the year, the County's outstanding bond obligations decreased by 19% which is attributable to the retirement of \$130,231 in bond obligations and a decrease in Interest Accretion on CABs.

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

The following table summarizes the County's long-term debt obligations at June 30, 2018 and 2017:

LONG-TERM DEBT OBLIGATIONS							
June 30, 2018 and 2017							
	Governmental		Business-Type		Total		(Decrease)
	Activities		Activities				
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Revenue Bonds	\$ 57,545	\$ 74,300	\$ 154,449	\$ 189,539	\$ 211,994	\$ 263,839	(20)%
Certificates of Participation	392	811	--	--	392	811	(52)%
Pension Obligation Bonds	8,217	11,220	--	--	8,217	11,220	(27)%
Teeter Plan Notes	27,247	27,868	--	--	27,247	27,868	(2)%
Add: Premium/(Discount) on Bonds Payable	12,403	14,052	(2,250)	(2,221)	10,153	11,831	(14)%
Add: Interest Accretion on CABs	36,586	46,641	--	--	36,586	46,641	(22)%
Total	\$ 142,390	\$ 174,892	\$ 152,199	\$ 187,318	\$ 294,589	\$ 362,210	(19)%

The following summarizes the County's long-term debt issuance during FY 2017-18:

Teeter Plan Notes On July 12, 2017, the County converted its tax exempt Teeter Plan Obligations 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 of \$27,868 associated with the purchase of delinquent property tax receivables paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The new Notes have a maturity date of July 31, 2018. The amount of the new taxable Teeter Plan Notes was \$58,489.

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

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

Bond Ratings

The County maintained its Issuer Credit Rating (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 County has the following long-term underlying debt ratings:

LONG-TERM DEBT RATINGS June 30, 2018			
	Standard & Poor's	Moody's	Fitch
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 are 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, Orange County's share of property tax in lieu of VLF, which is also known as its "vehicle license fee adjustment amount (VLFAA)," was reduced by approximately \$54,000. This reduction was to offset the amount of VLF the County received until the passage of SB 89, and that had been pledged for the service of bankruptcy related indebtedness at the time that Section 97.70 was adopted in 2004.

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

The Court's ruling resulted in the loss of the \$73,500 VLFAA revenue and a requirement for the County to repay \$150,000 to the State (\$147,000 retained in FYs 2011-12 and 2012-13, plus interest). On September 27, 2013,

Assembly Bill (AB) 701 was signed by the Governor to resolve the dispute between the State and the County. AB 701 provides for an additional \$53,000 in annual VLFAA beginning in FY 2013-14, including growth, in lieu of the \$50,000 in property tax revenue previously provided by SB 8 X3, which was a flat amount with no growth. AB 701 provides stability for the County by securing the property tax revenues, including growth, and by allowing for repayment of the \$150,000 over five years. The \$150,000 due to the State was formally set aside in reserve in the FY 2013-14 First Quarter Budget Report. As of June 30, 2018, the remaining obligation to the state is \$55,000. Additional information regarding the County's VLF obligation can be found in Note 11, Long-Term Obligations.

Long-Term Financial Planning

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

The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (valuation value of plan assets divided by actuarial accrued liability) dropped from 82.76% in 2002 to 70.85% in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 before dropping to 62.52% in 2012. As of December 31, 2017, the funding ratio for the System is 72.30%, which is a decline from 73.06% in 2016. The System's Unfunded Actuarial Accrued Liability (UAAL) increased from \$4.83 billion to \$5.44 billion. The decrease in the funding level and increase in the UAAL are primarily attributable to the changes in actuarial assumptions adopted by the OCERS Board on October 16, 2017, which included a reduction in the assumed rate of return from 7.25% to 7.00%, a reduction in price inflation from 3.00% to 2.75%, and application of generational tables, which indicate reduced rates of mortality. The combined impact of the assumption changes resulted in an increase of \$853 million to the UAAL. The increase in the UAAL was offset partially by (1) favorable investment return (after smoothing), (2) lower than expected salary increases, and (3) lower than expected COLA increases.

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

Reduction in OCERS Assumed Investment Rate of Return

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

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

OCERS Actuarial Funding Policy (Amortization)

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

OCERS Actuarial Assumptions

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

Requests for Information

We hope that the preceding information provides a general overview of the County's overall financial status. For questions or comments concerning information contained in this report, please contact the Auditor-Controller's Office, County of Orange, 12 Civic Center Plaza, Santa Ana, CA 92702 or you can access our website at www.ac.ocgov.com.





County of Orange
Comprehensive Annual Financial Report
June 30, 2018
(Dollar Amounts in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
ASSETS					
Cash and Cash Equivalents	\$ 2,395,923	\$ 634,431	\$ 3,030,354	\$ 37,037	\$ 397,616
Restricted Cash and Cash Equivalents	306,164	138,067	444,231	--	300
Investments	--	34,452	34,452	--	1,091,863
Deposits In-Lieu of Cash	25	22,730	22,755	--	--
Internal Balances	(4,289)	4,289	--	--	--
Due from Component Unit	494	--	494	--	--
Due from Primary Government	--	--	--	3	--
Prepaid Costs	334,246	4,502	338,748	--	31,077
Inventory of Materials and Supplies	2,573	--	2,573	--	--
Receivables, Net of Allowances					
Accounts	10,176	19,236	29,412	5	296,371
Taxes	27,875	--	27,875	4,275	--
Interest/Dividends	7,910	2,347	10,257	145	--
Deposits	4,723	--	4,723	4,472	--
Advances	30	--	30	--	--
Due from Other Governmental Agencies, Net	448,846	7,021	455,867	2,808	--
Notes Receivable, Net	27,774	--	27,774	--	--
Capital Assets					
Not Depreciable/Amortizable	1,076,273	222,285	1,298,558	--	8,259
Depreciable/Amortizable, Net	2,070,787	727,068	2,797,855	--	42,500
Total Capital Assets	3,147,060	949,353	4,096,413	--	50,759
Total Assets	6,709,530	1,816,428	8,525,958	48,745	1,867,986
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	226	--	226	--	--
Deferred Outflows of Resources Related to Pension	1,027,060	19,959	1,047,019	196	10,573
Deferred Outflows of Resources Related to OPEB	23,718	452	24,170	18	560
Total Deferred Outflows of Resources	1,051,004	20,411	1,071,415	214	11,133

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima
LIABILITIES					
Accounts Payable	\$ 114,133	\$ 24,864	\$ 138,997	\$ 3,330	\$ 8,031
Salaries and Employee Benefits Payable	48,096	1,025	49,121	33	10,870
Retainage Payable	5,927	2,433	8,360	1,596	--
Interest Payable	4,536	3,935	8,471	--	--
Deposits from Others	70,978	26,083	97,061	--	--
Due to Primary Government	--	--	--	494	--
Due to Component Unit	3	--	3	--	--
Due to Other Governmental Agencies	23,585	11,355	34,940	3,475	567,116
Unearned Revenue	84,014	3,826	87,840	--	112,557
Short-Term Bonds Payable	375,345	--	375,345	--	--
Long-Term Liabilities					
Due Within One Year					
Estimated Liability-Litigation and Claims	55,000	--	55,000	--	--
Interest Accretion on Capital Appreciation Bonds Payable	14,437	--	14,437	--	--
Insurance Claims Payable	55,348	--	55,348	--	--
Medical Claims Payable	--	--	--	--	266,522
Capitation and Withholds	--	--	--	--	96,449
Compensated Employee Absences Payable	101,739	2,364	104,103	47	--
Capital Lease Obligations Payable	6,462	--	6,462	--	--
Notes Payable	27,247	--	27,247	--	--
Bonds Payable	11,087	8,271	19,358	--	--
Pollution Remediation Obligation	--	766	766	--	--
Intangible Assets Obligations Payable	689	57	746	--	100
Landfill Site Closure/Postclosure Liability	--	3,363	3,363	--	--
Due in More than One Year					
Civic Center Facilities Master Plan Loan	175,340	--	175,340	--	--
Interest Accretion on Capital Appreciation Bonds Payable	22,149	--	22,149	--	--
Insurance Claims Payable	148,411	--	148,411	--	--
Compensated Employee Absences Payable	81,154	2,095	83,249	6	--
Capital Lease Obligations Payable	36,707	--	36,707	--	--
Bonds Payable	67,470	143,928	211,398	--	--
Pollution Remediation Obligation	--	19,785	19,785	--	--
Intangible Assets Obligations Payable	1,163	4	1,167	--	--
Landfill Site Closure/Postclosure Liability	--	162,623	162,623	--	--
Net Pension Liability					25,101
Orange County Employees Retirement System	3,898,727	85,674	3,984,401	962	--
Extra-Help Defined Benefit Plan	1,919	43	1,962	--	--
Net OPEB Liability	357,258	6,813	364,071	276	24,565
Total Liabilities	5,788,924	509,307	6,298,231	10,219	1,111,311
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	806,600	15,439	822,039	1,283	1,028
Deferred Inflows of Resources Related to OPEB	12,137	231	12,368	10	2,301
Total Deferred Inflows of Resources	818,737	15,670	834,407	1,293	3,329
NET POSITION					
Net Investment in Capital Assets	3,031,574	799,668	3,831,242	--	50,637
Restricted for:					
Expendable					
Pension Benefits	135,485	--	135,485	--	--
Capital Projects	123,245	--	123,245	--	--
Debt Service	25,792	8,672	34,464	--	--
Legally Segregated for Grants and Other Purposes	1,148,735	--	1,148,735	--	--
Regional Park Endowment	148	--	148	--	--
CalOptima	--	--	--	--	89,037
Passenger Facility Charges Approved Capital Projects	--	12,044	12,044	--	--
Capital Projects-Replacements and Renewals	--	1,000	1,000	--	--
Landfill Closure/Postclosure	--	26,655	26,655	--	--
Landfill Corrective Action	--	8,358	8,358	--	--
Wetland	--	879	879	--	--
Prima Deshecha/La Pata Closure	--	104	104	--	--
Nonexpendable					
Regional Park Endowment	200	--	200	--	--
Unrestricted (Deficit)	(3,312,306)	454,482	(2,857,824)	37,447	624,805
Total Net Position	\$ 1,152,873	\$ 1,311,862	\$ 2,464,735	\$ 37,447	\$ 764,479

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

Functions/Programs	Expenses		Program Revenues		
	Direct Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 228,894	\$ (32,661)	\$ 43,104	\$ 30,752	\$ 77,026
Public Protection	1,459,180	16,446	355,850	616,030	18,363
Public Ways and Facilities	154,753	(2,974)	55,544	73,028	27,871
Health and Sanitation	650,336	5,898	112,715	462,751	--
Public Assistance	1,094,238	8,509	38,741	989,846	--
Education	47,431	981	1,237	546	--
Recreation and Cultural Services	121,356	2,442	49,892	2,134	315
Interest on Long-Term Debt	25,741	--	--	--	--
Total Governmental Activities	<u>3,781,929</u>	<u>(1,359)</u>	<u>657,083</u>	<u>2,175,087</u>	<u>123,575</u>
Business-Type Activities					
Airport	123,910	556	152,551	253	4,829
Waste Management	124,681	791	162,273	19	--
Compressed Natural Gas	287	12	266	--	--
Total Business-Type Activities	<u>248,878</u>	<u>1,359</u>	<u>315,090</u>	<u>272</u>	<u>4,829</u>
Total Primary Government	<u>\$ 4,030,807</u>	<u>\$ --</u>	<u>\$ 972,173</u>	<u>\$ 2,175,359</u>	<u>\$ 128,404</u>
Component Units					
Children and Families					
Commission of Orange County	\$ 33,226	\$ --	\$ --	\$ 24,292	\$ --
CalOptima	3,423,559	--	3,447,685	21,714	--
Total Component Units	<u>\$ 3,456,785</u>	<u>\$ --</u>	<u>\$ 3,447,685</u>	<u>\$ 46,006</u>	<u>\$ --</u>
General Revenues					
Taxes					
Property Taxes, Levied for General Fund					
Property Taxes, Levied for Flood Control District					
Property Taxes, Levied for OC Parks					
Property Taxes, Levied for OC Public Libraries					
Property Taxes in-Lieu of Motor Vehicle License Fees					
Other Taxes					
Grants and Contributions Not Restricted to Specific Programs					
State Allocation of Motor Vehicle License Fees					
Unrestricted Investment Earnings					
Miscellaneous					
Transfers					
Total General Revenues and Transfers					
Change in Net Position					
Net Position-Beginning of Year, as Restated					
Net Position-End of Year					

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

Net (Expense) Revenue and Change in Net Position

Primary Government			Component Units		Functions/Programs
Governmental Activities	Business-Type Activities	Total	Governmental CFCOC	Proprietary CalOptima	
Primary Government					
Governmental Activities					
\$ (45,351)	\$ --	\$ (45,351)	\$ --	\$ --	General Government
(485,383)	--	(485,383)	--	--	Public Protection
4,664	--	4,664	--	--	Public Ways and Facilities
(80,768)	--	(80,768)	--	--	Health and Sanitation
(74,160)	--	(74,160)	--	--	Public Assistance
(46,629)	--	(46,629)	--	--	Education
(71,457)	--	(71,457)	--	--	Recreation and Cultural Services
(25,741)	--	(25,741)	--	--	Interest on Long-Term Debt
(824,825)	--	(824,825)	--	--	Total Governmental Activities
Business-Type Activities					
--	33,167	33,167	--	--	Airport
--	36,820	36,820	--	--	Waste Management
--	(33)	(33)	--	--	Compressed Natural Gas
--	69,954	69,954	--	--	Total Business-Type Activities
(824,825)	69,954	(754,871)	--	--	Total Primary Government
Component Units					
Children and Families					
			(8,934)	--	Commission or Orange County
			--	45,840	CalOptima
			(8,934)	45,840	Total Component Units
General Revenues					
Taxes					
305,296	--	305,296	--	--	Property Taxes, Levied for General Fund
104,798	--	104,798	--	--	Property Taxes, Levied for Flood Control District
81,206	--	81,206	--	--	Property Taxes, Levied for OC Parks
51,166	--	51,166	--	--	Property Taxes, Levied for OC Public Libraries
372,728	--	372,728	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
99,889	82	99,971	--	--	Other Taxes
10,757	--	10,757	--	--	Grants and Contributions Not Restricted to Specific Programs
1,615	--	1,615	--	--	State Allocation of Motor Vehicle License Fees
19,389	7,695	27,084	432	--	Unrestricted Investment Earnings
71,164	1,830	72,994	2,173	--	Miscellaneous
10,767	(10,767)	--	--	--	Transfers
1,128,775	(1,160)	1,127,615	2,605	--	Total General Revenues and Transfers
303,950	68,794	372,744	(6,329)	45,840	Change in Net Position
848,923	1,243,068	2,091,991	43,776	718,639	Net Position-Beginning of Year, as Restated
\$ 1,152,873	\$ 1,311,862	\$ 2,464,735	\$ 37,447	\$ 764,479	Net Position-End of Year

County of Orange
Comprehensive Annual Financial Report
June 30, 2018
(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 590,115	\$ 420,318	\$ 160,796
Cash/Cash Equivalents	--	--	15,000
Imprest Cash Funds	1,835	--	--
Restricted Cash and Investments with Trustee	2	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables			
Accounts	9,139	774	2,731
Taxes	6,251	1,430	--
Interest/Dividends	2,727	1,347	542
Deposits	537	2,046	--
Advances	30	--	--
Allowance for Uncollectible Receivables	(4,421)	(692)	--
Due from Other Funds	136,308	2,591	2,118
Due from Component Unit	494	--	--
Due from Other Governmental Agencies, Net	349,949	41,216	3,858
Inventory of Materials and Supplies	1,417	407	364
Prepaid Costs	373,201	5,148	1,111
Advances to Other Funds	3,800	--	--
Notes Receivable, Net	--	--	--
Total Assets	<u>\$ 1,471,384</u>	<u>\$ 474,585</u>	<u>\$ 186,520</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 55,263	\$ 8,389	\$ 334
Retainage Payable	1,892	1,903	--
Salaries and Employee Benefits Payable	44,875	659	150
Interest Payable	3,801	--	--
Deposits from Others	1,397	7,123	17,364
Due to Other Funds	25,465	7,645	5,741
Due to Component Unit	--	--	--
Due to Other Governmental Agencies	11,376	1	5,001
Unearned Revenue	61,182	953	--
Bonds Payable	375,345	--	--
Advances from Other Funds	556	--	--
Total Liabilities	<u>581,152</u>	<u>26,673</u>	<u>28,590</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue-Intergovernmental Revenues	62,884	37,770	1,766
Unavailable Revenue-Senate Bill 90 Mandated Claims, Net	6,711	--	--
Unavailable Revenue-Property Taxes	7,574	930	--
Unavailable Revenue-Other	4,285	--	--
Total Deferred Inflows of Resources	<u>81,454</u>	<u>38,700</u>	<u>1,766</u>
<u>FUND BALANCES</u>			
Nonspendable	378,418	5,555	1,475
Restricted	31,815	403,657	154,689
Assigned	179,119	--	--
Unassigned	219,426	--	--
Total Fund Balances	<u>808,778</u>	<u>409,212</u>	<u>156,164</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,471,384</u>	<u>\$ 474,585</u>	<u>\$ 186,520</u>

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

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

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
\$ 272,145	\$ 678,469	\$ 2,121,843
--	--	15,000
--	45	1,880
--	306,162	306,164
--	25	25
--	2,649	15,293
--	20,194	27,875
852	1,752	7,220
--	2,140	4,723
--	--	30
--	(110)	(5,223)
--	25,105	166,122
--	--	494
18,128	35,015	448,166
--	--	2,188
--	14,275	393,735
--	--	3,800
--	27,774	27,774
<u>\$ 291,125</u>	<u>\$ 1,113,495</u>	<u>\$ 3,537,109</u>
\$ --	\$ 37,299	\$ 101,285
--	2,106	5,901
--	1,897	47,581
--	67	3,868
--	45,094	70,978
42,439	74,758	156,048
--	3	3
248	6,957	23,583
456	21,423	84,014
--	--	375,345
--	33,240	33,796
<u>43,143</u>	<u>222,844</u>	<u>902,402</u>
--	12,200	114,620
--	--	6,711
--	1,036	9,540
--	46	4,331
<u>--</u>	<u>13,282</u>	<u>135,202</u>
--	14,475	399,923
247,982	685,941	1,524,084
--	176,953	356,072
--	--	219,426
<u>247,982</u>	<u>877,369</u>	<u>2,499,505</u>
<u>\$ 291,125</u>	<u>\$ 1,113,495</u>	<u>\$ 3,537,109</u>

ASSETS

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

LIABILITIES

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

DEFERRED INFLOWS OF RESOURCES

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

FUND BALANCES

Nonspendable
Restricted
Assigned
Unassigned
Total Fund Balances

Total Liabilities, Deferred Inflows of Resources,
and Fund Balances

The governmental funds Balance Sheet includes a reconciliation between fund balances-total governmental funds and net position-governmental activities as reported in the government-wide Statement of Net Position. The difference in fund balances of (\$1,346,632) is due to the long-term economic focus of the Statement of Net Position versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total Fund Balances - Governmental Funds	\$ 2,499,505
--	--------------

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

Land	850,659	
Structures and Improvements	1,360,555	
Equipment	358,978	
Software	125,606	
Infrastructure	1,833,788	
Land Use Rights	3,999	
Land Improvements	4,256	
Construction in Progress	204,381	
Intangible in Progress	14,786	
Accumulated Depreciation/Amortization	<u>(1,672,054)</u>	3,084,954

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

Prepaid Pension Investment with OCERS	135,485
---------------------------------------	---------

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.

79,299

Deferred outflows of resources are similar to assets, but they do not meet the definition of an asset at June 30, 2018. 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, 2018. 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		226
Employer retirement contribution subsequent to measurement date and deferred recognition of changes to the net pension liability		819,051
Employer retirement contribution subsequent to measurement date for the net OPEB liability		23,419

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

Prepaid Pension Contribution		(196,853)
Deferred Outflows of Resources		196,853

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

Deferred Inflows of Resources:

Deferred Inflows of Resources that have been earned but not available to finance expenditures in the current period	135,202
Deferred Inflows of Resources Related to Pension	(797,726)
Deferred Inflows of Resources Related to OPEB	(11,984)

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	(78,557)	
Civic Center Facilities Master Plan Loan	(175,340)	
Teeter Plan Notes Payable	(27,247)	
Compensated Employee Absences Payable	(180,517)	
Capital Lease Obligations Payable	(43,169)	
Intangible Assets Obligations Payable	(1,852)	
Interest Payable on Bonds	(668)	
Interest Accretion on Capital Appreciation Bonds	(36,586)	
Estimated Liability-Litigation and Claims	(55,000)	
County's Net Pension Liability	(3,862,878)	
County's Net OPEB Liability	(352,744)	(4,814,558)

Net Position of Governmental Activities	<u>\$ 1,152,873</u>
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County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

	General Fund	Flood Control District	Other Public Protection
Revenues			
Taxes	\$ 723,675	\$ 115,521	\$ --
Licenses, Permits, and Franchises	25,775	85	411
Fines, Forfeitures, and Penalties	40,169	15	9,264
Use of Money and Property	10,412	6,242	5,021
Intergovernmental	1,680,669	4,857	24,700
Charges for Services	465,328	16,242	42,587
Other	18,808	6,375	9,240
Total Revenues	<u>2,964,836</u>	<u>149,337</u>	<u>91,223</u>
Expenditures			
Current			
General Government	218,955	--	--
Public Protection	1,315,803	94,830	30,134
Public Ways and Facilities	33,522	--	--
Health and Sanitation	647,960	--	--
Public Assistance	903,294	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	45,752	56,473	24,745
Debt Service			
Principal Retirement	5,736	23,958	--
Interest	10,741	6	--
Total Expenditures	<u>3,181,763</u>	<u>175,267</u>	<u>54,879</u>
Excess (Deficit) of Revenues Over Expenditures	(216,927)	(25,930)	36,344
Other Financing Sources (Uses)			
Transfers In	381,054	346	3,159
Transfers Out	(106,241)	(3,756)	(26,636)
Debt Issued	--	--	--
Capital Leases	--	--	--
Total Other Financing Sources (Uses)	<u>274,813</u>	<u>(3,410)</u>	<u>(23,477)</u>
Net Change in Fund Balances	57,886	(29,340)	12,867
Fund Balances-Beginning of Year	<u>750,892</u>	<u>438,552</u>	<u>143,297</u>
Fund Balances-End of Year	<u>\$ 808,778</u>	<u>\$ 409,212</u>	<u>\$ 156,164</u>

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

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

Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 143,546	\$ 982,742
--	1,871	28,142
--	20,410	69,858
2,662	61,357	85,694
166,874	355,599	2,232,699
--	43,307	567,464
10	44,274	78,707
<u>169,546</u>	<u>670,364</u>	<u>4,045,306</u>
--	76,202	295,157
--	668	1,441,435
--	101,534	135,056
175	929	649,064
--	191,381	1,094,675
--	46,842	46,842
--	117,965	117,965
--	132,827	259,797
--	79,303	108,997
--	25,526	36,273
<u>175</u>	<u>773,177</u>	<u>4,185,261</u>
169,371	(102,813)	(139,955)
--	120,533	505,092
(178,348)	(187,656)	(502,637)
--	58,489	58,489
--	47	47
<u>(178,348)</u>	<u>(8,587)</u>	<u>60,991</u>
(8,977)	(111,400)	(78,964)
256,959	988,769	2,578,469
<u>\$ 247,982</u>	<u>\$ 877,369</u>	<u>\$ 2,499,505</u>

Revenues

Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures, and Penalties
Use of Money and Property
Intergovernmental
Charges for Services
Other
Total Revenues

Expenditures

Current
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Interest
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures

Other Financing Sources (Uses)

Transfers In
Transfers Out
Debt Issued
Capital Leases
Total Other Financing Sources (Uses)

Net Change in Fund Balances

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

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

The Net Change in Fund Balances for governmental funds of \$(78,964) in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Position for governmental activities of \$303,950 reported in the government-wide Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below.

Net Change in Fund Balances – Total Governmental Funds	\$	(78,964)
--	----	----------

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

Expenditures for Capital Outlay:		
Land	8,187	
Construction in Progress	193,031	
Equipment	48,405	
Software	12,344	
Net of Gains/(Losses) on Capital Assets Dispositions	20,215	
Depreciation/Amortization Expense	(97,214)	
Capital Contributions	<u>24,909</u>	209,877

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	(58,489)	
Capital Lease Addition	(47)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	20,177	
Teeter Plan Notes Payable	59,110	
SARI Line Loans Payable	23,900	
Capital Lease Obligations Payable	<u>5,809</u>	50,460

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

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

Government Mandated and Voluntary Nonexchange	(4,336)	
Property Tax Revenues	<u>(1,522)</u>	(5,858)

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	190	
Amortization of Deferred Charges	14,464	
Change in Compensated Employee Absences	3,827	
Change in Arbitrage Rebate	365	
OCERS Investment Gain	9,610	
Estimated Litigation and Claims Expense	50,000	
Interest Accretion on Capital Appreciation Bonds	<u>(4,121)</u>	74,335

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 break-even basis. Also, general or non-program revenues and expenses of the internal service funds are recorded in governmental activities.

Allocation of ISF's Operating Gain to Governmental		
Activities, net of Business-Type Activities	16,917	
Consolidation of Nonoperating Revenues, Expenses		
and Transfers to Governmental Activities	<u>19,504</u>	36,421

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

15,556

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.

2,123

Change in Net Position of Governmental Activities	<u>\$</u>	<u>303,950</u>
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County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	\$ 701,812	\$ 701,812	\$ 723,401	\$ 21,589
Licenses, Permits, and Franchises	26,542	26,542	25,780	(762)
Fines, Forfeitures, and Penalties	32,280	32,651	40,014	7,363
Use of Money and Property	8,784	8,784	14,180	5,396
Intergovernmental	1,651,816	1,680,118	1,641,442	(38,676)
Charges for Services	483,102	489,840	488,561	(1,279)
Other	28,456	28,430	24,375	(4,055)
Transfers In	417,880	444,415	375,685	(68,730)
Bond Issuance Proceeds	--	105	--	(105)
Total Revenues and Other Financing Sources	<u>3,350,672</u>	<u>3,412,697</u>	<u>3,333,438</u>	<u>(79,259)</u>
Expenditures and Other Financing Uses				
General Government:				
Assessor	40,365	39,764	37,024	2,740
Auditor-Controller	21,990	21,211	18,160	3,051
Board of Supervisors-1st District	1,248	1,248	1,141	107
Board of Supervisors-2nd District	1,331	1,331	1,138	193
Board of Supervisors-3rd District	1,198	1,198	1,013	185
Board of Supervisors-4th District	1,196	1,196	1,152	44
Board of Supervisors-5th District	1,253	1,253	1,092	161
Capital Acquisition Financing	5,855	5,855	5,839	16
Capital Projects	52,462	66,516	57,008	9,508
CAPS Program	13,051	13,051	11,521	1,530
Clerk of the Board	5,447	5,121	4,836	285
County Counsel	10,104	10,025	9,373	652
County Executive Office	23,595	24,574	21,709	2,865
Data Systems Development Project	12,239	12,895	9,885	3,010
Employee Benefits	2,191	2,111	1,464	647
Human Resources	7,395	7,208	5,359	1,849
IBM Mainframe	2,396	2,396	2,396	--
IT Support Services	1,710	2,520	2,471	49
Miscellaneous	67,077	70,100	67,260	2,840
OC Campaign Finance and Ethics Commission	553	455	402	53
Prepaid Pension Obligation	--	105	2	103
Property Tax System Centralized O & M Support	10,249	10,249	5,776	4,473
Registrar of Voters	15,242	17,642	15,672	1,970
The Office of the Performance Audit	807	307	106	201
Treasurer-Tax Collector	14,931	14,539	12,362	2,177
Utilities	14,695	30,688	30,062	626
2005 Lease Revenue Refunding Bonds	10,520	2,556	2,530	26
Public Protection:				
Alternate Defense	6,483	6,483	5,380	1,103
Building & Safety	15,664	15,664	12,734	2,930
Child Support Services	60,344	60,344	56,205	4,139
Clerk-Recorder	15,078	15,078	13,292	1,786
Detention Release	1,894	1,894	1,673	221
District Attorney	147,847	151,747	144,556	7,191
District Attorney-Public Administrator	2,935	3,025	2,875	150
Emergency Management Division	3,600	3,659	3,447	212
Grand Jury	605	601	586	15
HCA Public Guardian	5,742	5,742	5,065	677
Juvenile Justice Commission	216	216	117	99
Office of Independent Review	455	155	125	30
Probation	186,562	186,239	183,352	2,887
Public Defender	77,542	75,721	74,553	1,168
Sheriff-Coroner	695,380	719,745	713,481	6,264
Sheriff-Coroner Communications	179	179	101	78
Sheriff Court Operations	65,192	65,192	64,811	381
Trial Courts	67,600	67,600	66,397	1,203
Public Ways and Facilities:				
OC Public Works	56,945	59,114	49,178	9,936
Health and Sanitation:				
Health Care Agency	669,960	671,151	640,293	30,858
OC Watersheds	15,752	15,752	11,985	3,767
Public Assistance:				
OC Community Resources	67,150	67,407	57,629	9,778
Social Services Agency	899,343	912,814	869,068	43,746
Total Expenditures and Other Financing Uses	<u>3,401,568</u>	<u>3,471,636</u>	<u>3,303,656</u>	<u>167,980</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(50,896)	(58,939)	29,782	\$ <u>88,721</u>
Fund Balances-Beginning of Year	<u>722,398</u>	<u>722,398</u>	<u>722,398</u>	
Fund Balances-End of Year	<u>\$ 671,502</u>	<u>\$ 663,459</u>	<u>\$ 752,180</u>	

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

Budgetary Comparison Statement
(Dollar Amounts in Thousands)

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

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Taxes	\$ 111,576	\$ 111,576	\$ 115,414	\$ 3,838
Licenses, Permits, and Franchises	155	155	85	(70)
Fines, Forfeitures, and Penalties	15	15	15	--
Use of Money and Property	4,147	4,147	7,503	3,356
Intergovernmental	32,717	32,717	6,428	(26,289)
Charges for Services	14,074	14,074	16,332	2,258
Other	4,041	4,041	6,733	2,692
Transfers In	296	346	346	--
Total Revenues and Other Financing Sources	<u>167,021</u>	<u>167,071</u>	<u>152,856</u>	<u>(14,215)</u>
Expenditures and Other Financing Uses				
Public Protection:				
OC Flood	224,792	239,690	140,226	99,464
OC Santa Ana River	80	80	--	80
OC Flood-Capital	83,256	83,256	45,765	37,491
Total Expenditures and Other Financing Uses	<u>308,128</u>	<u>323,026</u>	<u>185,991</u>	<u>137,035</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(141,107)	(155,955)	(33,135)	<u>\$ 122,820</u>
Fund Balances-Beginning of Year	447,550	447,550	447,550	
Fund Balances-End of Year	<u>\$ 306,443</u>	<u>\$ 291,595</u>	<u>\$ 414,415</u>	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

BUDGETARY COMPARISON STATEMENT
MAJOR GOVERNMENTAL FUNDS-OTHER PUBLIC PROTECTION

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 424	\$ 424	\$ 411	\$ (13)
Fines, Forfeitures, and Penalties	1,966	1,966	3,038	1,072
Use of Money and Property	2,754	2,759	5,253	2,494
Intergovernmental	14,225	16,076	25,428	9,352
Charges for Services	31,978	40,590	40,173	(417)
Other	10,617	10,763	9,229	(1,534)
Transfers In	5,119	7,449	6,631	(818)
Total Revenues and Other Financing Sources	67,083	80,027	90,163	10,136
Expenditures and Other Financing Uses				
Public Protection:				
County Automated Fingerprint Identification	1,618	1,548	1,433	115
Building and Safety-Operating Reserve	1,009	1,009	675	334
Narcotic Forfeiture and Seizure	426	446	322	124
Sheriff-Regional Narcotics Suppression Program	7,648	10,489	4,929	5,560
Motor Vehicle Theft Task Force	3,319	3,387	3,149	238
Regional Narcotic Suppression Program-Dept of Treasury	289	308	16	292
Regional Narcotic Suppression Program-Other	2,295	2,599	1,064	1,535
Clerk Recorder Special Revenue	8,038	8,038	4,766	3,272
Clerk Recorder Operating Reserve	1,105	1,105	2	1,103
Real Estate Prosecution	1,652	1,648	1,342	306
Proposition 64-Consumer Protection	3,686	3,806	1,669	2,137
Proposition 69-DNA Identification	682	1,665	416	1,249
Traffic Violator	1,130	1,141	213	928
Sheriff Narcotics Program-Dept of Justice	2,724	3,258	1,910	1,348
Sheriff Narcotics Program-Other	1,169	2,125	160	1,965
Orange County Jail	1,430	1,443	1,251	192
Sheriff Narcotics Program-CALMMET-Treasury	1,672	1,866	520	1,346
Sheriff's State Criminal Alien Assistance Program	1,779	1,786	301	1,485
California Automated Fingerprint Identification Operational Costs	1,551	1,533	1,402	131
California Automated Fingerprint Identification Systems Costs	32,046	31,946	549	31,397
Sheriff's Supplemental Law Enforcement Services	3,122	3,978	3,977	1
District Attorney's Supplemental Law Enforcement Services	1,057	1,057	995	62
Excess Public Safety Sales Tax	1,602	1,563	2	1,561
Sheriff-Coroner Replacement and Maintenance	12,417	14,166	257	13,909
Ward Welfare	183	183	118	65
Sheriff's Substations Fee Program	4,361	4,384	3,503	881
Jail Commissary	10,585	11,489	8,309	3,180
Inmate Welfare	11,758	11,757	3,734	8,023
Child Support Program Development	4,799	4,636	2,753	1,883
800 MHz Countywide Coordinated Communications System	29,936	36,439	34,983	1,456
Delta Special Revenue	30	30	6	24
Total Expenditures and Other Financing Uses	155,118	170,828	84,726	86,102
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(88,035)	(90,801)	5,437	\$ 96,238
Fund Balances-Beginning of Year	132,595	132,595	132,595	
Fund Balances-End of Year	\$ 44,560	\$ 41,794	\$ 138,032	

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

Budgetary Comparison Statement
(Dollar Amounts in Thousands)

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

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Revenues and Other Financing Sources				
Use of Money and Property	\$ 2,000	\$ 2,000	\$ 3,574	\$ 1,574
Intergovernmental	150,777	150,777	167,121	16,344
Other	--	--	10	10
Total Revenues and Other Financing Sources	<u>152,777</u>	<u>152,777</u>	<u>170,705</u>	<u>17,928</u>
Expenditures and Other Financing Uses				
General Government:				
Mental Health Services Act	186,994	188,566	178,523	10,043
Total Expenditures and Other Financing Uses	<u>186,994</u>	<u>188,566</u>	<u>178,523</u>	<u>10,043</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(34,217)	(35,789)	(7,818)	<u>\$ 27,971</u>
Fund Balances-Beginning of Year	257,396	257,396	257,396	
Fund Balances-End of Year	<u>\$ 223,179</u>	<u>\$ 221,607</u>	<u>\$ 249,578</u>	

County of Orange
Comprehensive Annual Financial Report
June 30, 2018
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
<u>ASSETS</u>					
Current Assets					
Pooled Cash/Investments	\$ 190,170	\$ 424,914	\$ 71	\$ 615,155	\$ 256,817
Cash Equivalents/Specific Investments	16,629	--	--	16,629	--
Cash/Cash Equivalents	2,598	--	--	2,598	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	12,607	--	--	12,607	--
Restricted Pooled Cash and Investments	12,438	690	--	13,128	--
Deposits In-Lieu of Cash	5,340	17,390	--	22,730	--
Receivables					
Accounts	4,761	11,193	--	15,954	163
Passenger Facility Charges	3,027	--	--	3,027	--
Interest/Dividends	802	1,545	--	2,347	690
Pollution Remediation Obligation Recoveries	256	--	--	256	--
Allowance for Uncollectible Receivables	--	(1)	--	(1)	(57)
Due from Other Funds	--	49	7	56	2,996
Due from Other Governmental Agencies	4,161	2,789	71	7,021	680
Inventory of Materials and Supplies	--	--	--	--	385
Prepaid Costs	2,150	2,352	--	4,502	1,879
Total Current Assets	254,953	460,956	149	716,058	263,936
Noncurrent Assets					
Restricted Cash and Investments with Trustee	10,749	--	--	10,749	--
Restricted Pooled Cash and Investments	--	9,548	--	9,548	--
Restricted Pooled Cash and Investments-Closure and Postclosure Care Costs	--	92,035	--	92,035	--
Specific Investments	34,452	--	--	34,452	--
Advances to Other Funds	--	29,996	--	29,996	--
Capital Assets:					
Land	15,678	22,661	--	38,339	--
Construction in Progress	128,153	55,044	--	183,197	2,448
Intangible Assets in Progress	--	749	--	749	--
Intangible Assets-Amortizable	3,028	998	--	4,026	118
Accumulated Amortization	(1,108)	(303)	--	(1,411)	(16)
Structures and Improvements	766,346	26,431	--	792,777	12,599
Accumulated Depreciation	(320,161)	(13,259)	--	(333,420)	(6,650)
Equipment	14,840	79,629	--	94,469	135,615
Accumulated Depreciation	(10,655)	(49,273)	--	(59,928)	(82,008)
Infrastructure	229,348	392,400	--	621,748	--
Accumulated Depreciation	(187,482)	(203,711)	--	(391,193)	--
Total Capital Assets	637,987	311,366	--	949,353	62,106
Total Noncurrent Assets	683,188	442,945	--	1,126,133	62,106
Total Assets	938,141	903,901	149	1,842,191	326,042
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Outflows of Resources Related to Pension	8,861	11,098	--	19,959	11,156
Deferred Outflows of Resources Related to OPEB	199	253	--	452	299
Total Deferred Outflows of Resources	9,060	11,351	--	20,411	11,455

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	\$ 10,340	\$ 14,524	\$ --	\$ 24,864	\$ 12,848
Retainage Payable	249	2,184	--	2,433	26
Salaries and Employee Benefits Payable	458	567	--	1,025	515
Unearned Revenue	3,717	109	--	3,826	--
Due to Other Funds	2,547	9,769	97	12,413	713
Due to Other Governmental Agencies	199	11,156	--	11,355	2
Insurance Claims Payable	--	--	--	--	55,348
Compensated Employee Absences Payable	1,064	1,300	--	2,364	1,157
Pollution Remediation Obligation	--	766	--	766	--
Intangible Assets Obligations Payable	43	14	--	57	--
Landfill Site Closure/Postclosure Liability	--	3,363	--	3,363	--
Bonds Payable	8,271	--	--	8,271	--
Interest Payable	3,935	--	--	3,935	--
Deposits from Others	7,761	18,322	--	26,083	--
Total Current Liabilities	38,584	62,074	97	100,755	70,609
Noncurrent Liabilities					
Insurance Claims Payable	--	--	--	--	148,411
Compensated Employee Absences Payable	898	1,197	--	2,095	1,219
Pollution Remediation Obligation	994	18,791	--	19,785	--
Intangible Assets Obligations Payable	4	--	--	4	--
Landfill Site Closure/Postclosure Liability	--	162,623	--	162,623	--
Bonds Payable	143,928	--	--	143,928	--
Net Pension Liability	38,074	47,643	--	85,717	37,768
Net OPEB Liability	3,001	3,812	--	6,813	4,514
Total Noncurrent Liabilities	186,899	234,066	--	420,965	191,912
Total Liabilities	225,483	296,140	97	521,720	262,521
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows of Resources Related to Pension	6,785	8,654	--	15,439	8,874
Deferred Inflows of Resources Related to OPEB	102	129	--	231	153
Total Deferred Inflows of Resources	6,887	8,783	--	15,670	9,027
<u>NET POSITION</u>					
Net Investment in Capital Assets	490,440	309,228	--	799,668	62,106
Restricted for:					
Debt Service	8,672	--	--	8,672	--
Passenger Facility Charges Approved Capital Projects	12,044	--	--	12,044	--
Capital Projects-Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	26,655	--	26,655	--
Landfill Corrective Action	--	8,358	--	8,358	--
Wetland	--	879	--	879	--
Prima Deshecha/La Pata Closure	--	104	--	104	--
Unrestricted	202,675	265,105	52	467,832	3,843
Total Net Position	\$ 714,831	\$ 610,329	\$ 52	1,325,212	\$ 65,949
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				564	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(13,914)	
Net Position of Business-Type Activities				\$ 1,311,862	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Operating Revenues					
Use of Money and Property	\$ 112,027	\$ 4,608	\$ --	\$ 116,635	\$ 1,581
Licenses, Permits, and Franchises	--	104	--	104	--
Charges for Services	19,603	157,541	266	177,410	99,612
Insurance Premiums	--	--	--	--	330,315
Total Operating Revenues	<u>131,630</u>	<u>162,253</u>	<u>266</u>	<u>294,149</u>	<u>431,508</u>
Operating Expenses					
Salaries and Employee Benefits	20,320	26,296	--	46,616	22,834
Services and Supplies	28,021	27,715	247	55,983	27,090
Professional Services	42,409	16,592	51	59,052	58,648
Operating Leases	240	481	1	722	2,124
Insurance Claims and Premiums	--	--	--	--	293,087
Pollution Remediation Expense	--	5,181	--	5,181	--
Other Charges	--	--	--	--	368
Taxes and Other Fees	151	21,697	--	21,848	8
Landfill Site Closure/Postclosure Costs	--	10,868	--	10,868	--
Depreciation/Amortization	30,392	17,206	--	47,598	9,868
Total Operating Expenses	<u>121,533</u>	<u>126,036</u>	<u>299</u>	<u>247,868</u>	<u>414,027</u>
Operating Income (Loss)	<u>10,097</u>	<u>36,217</u>	<u>(33)</u>	<u>46,281</u>	<u>17,481</u>
Nonoperating Revenues (Expenses)					
Fines, Forfeitures, and Penalties	195	20	--	215	--
Intergovernmental Revenues	253	19	--	272	1,039
Interest and Investment Income	2,896	4,799	--	7,695	2,085
Interest Expense	(3,126)	--	--	(3,126)	--
Gain (Loss) on Disposition of Capital Assets	(92)	286	--	194	345
Passenger Facility Charges Revenue	20,726	--	--	20,726	--
Other Taxes	--	--	82	82	--
Other Revenue	1,171	658	--	1,829	7,299
Total Nonoperating Revenues	<u>22,023</u>	<u>5,782</u>	<u>82</u>	<u>27,887</u>	<u>10,768</u>
Income Before Contributions and Transfers	<u>32,120</u>	<u>41,999</u>	<u>49</u>	<u>74,168</u>	<u>28,249</u>
Capital Grant Contributions	4,829	--	--	4,829	--
Capital Contributions	--	--	--	--	424
Transfers In	--	70	--	70	8,649
Transfers Out	--	(10,756)	(81)	(10,837)	(337)
Change in Net Position	<u>36,949</u>	<u>31,313</u>	<u>(32)</u>	<u>68,230</u>	<u>36,985</u>
Net Position-Beginning of Year	680,918	582,872	84		33,530
Adjustment Due to Change in Accounting Principle	<u>(3,036)</u>	<u>(3,856)</u>	<u>--</u>		<u>(4,566)</u>
Net Position-Beginning of Year, as Restated	<u>677,882</u>	<u>579,016</u>	<u>84</u>		<u>28,964</u>
Net Position-End of Year	<u>\$ 714,831</u>	<u>\$ 610,329</u>	<u>\$ 52</u>		<u>\$ 65,949</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				<u>564</u>	
Increase in Net Position of Business-Type Activities				<u>\$ 68,794</u>	

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



County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 132,583	\$ 161,760	\$ 195	\$ 294,538	\$ 32,359
Cash Received for Premiums within the County's Entity	--	--	--	--	330,315
Payments to Suppliers for Goods and Services	(72,661)	(36,874)	(301)	(109,836)	(385,671)
Payments to Employees for Services	(20,491)	(26,472)	--	(46,963)	(23,086)
Payments for Interfund Services	(6)	--	(2)	(8)	(1,203)
Receipts for Interfund Services Used	--	5,872	78	5,950	70,355
Landfill Site Closure/Postclosure Care Costs	--	(3,363)	--	(3,363)	--
Payment for Taxes and Other Fees	(151)	(21,697)	--	(21,848)	(8)
Other Operating Receipts	1,436	--	--	1,436	7,299
Other Operating Payments	--	(1,454)	--	(1,454)	(2,546)
Net Cash Provided (Used) by Operating Activities	<u>40,710</u>	<u>77,772</u>	<u>(30)</u>	<u>118,452</u>	<u>27,814</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	70	--	70	8,649
Transfers Out	--	(10,756)	(81)	(10,837)	(337)
Intergovernmental Revenues	153	19	--	172	1,039
Other Taxes	--	--	82	82	--
Advances to Other Funds	--	(372)	--	(372)	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>153</u>	<u>(11,039)</u>	<u>1</u>	<u>(10,885)</u>	<u>9,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(59,867)	(37,961)	--	(97,828)	(12,956)
Principal Paid on Bonds	(35,090)	--	--	(35,090)	--
Interest Paid on Long - Term Debt	(8,845)	--	--	(8,845)	--
Capital Grant Contributions	1,390	--	--	1,390	--
Passenger Facility Charges Received	20,474	--	--	20,474	--
Principal Paid on Capital Lease Obligations	--	--	--	--	(6,900)
Proceeds from Sale of Capital Assets	8	286	--	294	345
Net Cash Used by Capital and Related Financing Activities	<u>(81,930)</u>	<u>(37,675)</u>	<u>--</u>	<u>(119,605)</u>	<u>(19,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	2,670	4,343	--	7,013	1,883
Sale of Investments	6,923	--	--	6,923	--
Net Cash Provided by Investing Activities	<u>9,593</u>	<u>4,343</u>	<u>--</u>	<u>13,936</u>	<u>1,883</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(31,474)	33,401	(29)	1,898	19,537
Cash and Cash Equivalents - Beginning of Year	265,930	493,821	100	759,851	237,663
Cash and Cash Equivalents - End of Year	<u>\$ 234,456</u>	<u>\$ 527,222</u>	<u>\$ 71</u>	<u>\$ 761,749</u>	<u>\$ 257,200</u>

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

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

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Nonmajor)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 10,097	\$ 36,217	\$ (33)	\$ 46,281	\$ 17,481
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation/Amortization	30,392	17,206	--	47,598	9,868
Fines, Forfeitures and Penalties	195	20	--	215	--
Other Revenue	1,171	658	--	1,829	7,299
(Increases) Decreases In:					
Deposits In-Lieu of Cash	24,629	(456)	--	24,173	--
Accounts Receivable, Net of Allowances	(591)	(456)	--	(1,047)	(21)
Due from Other Funds	52	37	(2)	87	1,721
Due from Other Governmental Agencies	28	(80)	(71)	(123)	372
Inventory of Materials and Supplies	--	--	--	--	24
Prepaid Costs	(1)	(146)	--	(147)	(53)
Deferred Outflows of Resources Related to Pension	(148)	(1,519)	--	(1,667)	(2,735)
Deferred Outflows of Resources Related to OPEB	28	36	--	64	43
Increases (Decreases) In:					
Accounts Payable	(1,951)	(380)	(2)	(2,333)	(8,394)
Salaries and Employee Benefits Payable	25	(20)	--	5	47
Unearned Revenue	(267)	(27)	--	(294)	--
Due to Other Funds	(58)	5,835	78	5,855	(1,808)
Due to Other Governmental Agencies	45	7,713	--	7,758	(11)
Insurance Claims Payable	--	--	--	--	1,588
Compensated Employee Absences Payable	(46)	(156)	--	(202)	114
Pollution Remediation Obligation	--	3,867	--	3,867	--
Deposits from Others	(22,821)	599	--	(22,222)	--
Net Pension Liability	(496)	(630)	--	(1,126)	(747)
Net OPEB Liability	(262)	(333)	--	(595)	(394)
Landfill Site Closure/ Postclosure Liability	--	7,505	--	7,505	--
Deferred Inflows of Resources Related to Pension	587	2,153	--	2,740	3,267
Deferred Inflows of Resources Related to OPEB	102	129	--	231	153
Total Adjustments	30,613	41,555	3	72,171	10,333
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,710</u>	<u>\$ 77,772</u>	<u>\$ (30)</u>	<u>\$ 118,452</u>	<u>\$ 27,814</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position Accounts					
Pooled Cash/Investments	\$ 190,170	\$ 424,914	\$ 71	\$ 615,155	\$ 256,817
Cash Equivalents/Specific Investments	16,629	--	--	16,629	--
Cash/Cash Equivalents	2,598	--	--	2,598	375
Imprest Cash Funds	14	35	--	49	8
Restricted Cash and Investments with Trustee	12,607 (1)	--	--	12,607	--
Restricted Pooled Cash/Investments	12,438	10,238	--	22,676	--
Restricted Pooled Cash/Investments-Closure and Postclosure Care Costs	--	92,035	--	92,035	--
Total Cash and Cash Equivalents	<u>\$ 234,456</u>	<u>\$ 527,222</u>	<u>\$ 71</u>	<u>\$ 761,749</u>	<u>\$ 257,200</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

- The Internal Service Funds gained \$345 on disposition of capital assets.
- The Internal Service Funds received \$424 of capital contributions
- The Internal Service Funds' acquisition of capital assets with accounts payable is \$9,135
- Airport had a \$92 loss on disposition of capital assets.
- Airport's acquisition of capital assets with retainage payable is \$242.
- Airport's acquisition of capital assets with accounts payable is \$5,808.
- Airport's change in fair value of investments not considered cash or cash equivalents is \$40.
- Airport's capital grant contribution receivable is \$3,707.
- Waste Management gained \$286 on disposition of capital assets.
- Waste Management's acquisition of capital assets with retainage payable is \$2,184.
- Waste Management's acquisition of capital assets with accounts payable is \$5,813.

(1) Does not include \$10,749 from Airport's nonliquid Restricted Cash and Investments with Trustee.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds	Agency Funds
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 61,485	\$ 5,588,786	\$ 2,742	\$ 329,579
Cash/Cash Equivalents	--	--	--	244
Restricted Cash and Investments				
Restricted Investments with Trustee				
Money Market Mutual Funds	4,675	--	129,739	41,482
Mutual Bond Funds	--	--	6,102	--
Stable Value Fund	--	--	15,735	--
Pooled with OCERS	--	--	289,352	--
Total Restricted Cash and Investments	4,675	--	440,928	41,482
Investments	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	56,160
Receivables				
Accounts	--	--	3,926	560
Taxes	--	--	--	307,035
Interest/Dividends	259	24,462	24	20,921
Allowance for Uncollectible Receivables	--	--	--	(186,777)
Due from Other Governmental Agencies	1	--	1,768	6,983
Land and Improvements Held for Resale	133	--	--	--
Notes Receivable	--	--	--	28,994
Total Assets	66,553	5,613,248	449,388	606,263
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	273	--	--	--
Total Deferred Outflows of Resources	273	--	--	--
<u>LIABILITIES</u>				
Salaries and Employee Benefits Payable	--	--	3,059	--
Bonds Payable	22,247	--	--	--
Interest Payable	290	--	--	16,184
Deposits from Others	--	--	--	23,865
Monies Held for Others	--	--	--	198,352
Due to Other Governmental Agencies	412	367	--	76,094
Unapportioned Taxes	--	--	--	291,768
Total Liabilities	22,949	367	3,059	606,263
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	97	--	--	--
Total Deferred Inflows of Resources	97	--	--	--
<u>NET POSITION</u>				
Restricted for Pension/OPEB Benefits & Other Purposes	43,780	5,612,881	446,329	--
Total Net Position	\$ 43,780	\$ 5,612,881	\$ 446,329	\$ --

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Post- Employment Benefit Trust Funds
Additions:			
Contributions to Pension and Other Postemployment Benefit Trust Funds:			
Employer	\$ --	\$ --	\$ 75,388
Employee	--	--	3,034
Contributions to Pooled Investments	--	8,813,937	--
Contributions to Private-Purpose Trust	69,958	--	--
Intergovernmental Revenues	5,059	--	--
Other Revenues	910	150	3
Interest and Investment Income	458	56,210	45,381
Less: Investment Expense	(36)	(3,233)	(740)
Total Additions	<u>76,349</u>	<u>8,867,064</u>	<u>123,066</u>
Deductions:			
Benefits Paid to Participants	--	--	40,282
Distributions from Pooled Investments	--	8,511,091	--
Distributions from Private-Purpose Trust	68,094	--	--
Professional Services	95	--	18
Tax Pass-Throughs	5,142	--	--
Interest Expense	743	--	--
Total Deductions	<u>74,074</u>	<u>8,511,091</u>	<u>40,300</u>
Change in Net Position:			
Private-Purpose Trust	2,275	--	--
External Investment Pool	--	355,973	--
Employees' Pension and Other Post- Employment Benefits	--	--	82,766
Net Position, Beginning of Year	41,505	5,256,908	401,559
Adjustment Due to Change in Accounting Principle	--	--	(37,996)
Net Position, Beginning of Year, as Restated	41,505	5,256,908	363,563
Net Position, End of Year	<u>\$ 43,780</u>	<u>\$ 5,612,881</u>	<u>\$ 446,329</u>







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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Capital Facilities Development Corporation (Continued)

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

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

Campaign Finance and Ethics Commission (CFEC) The Commission consists of five members appointed by the County's governing body. Among its duties, it provides oversight to the County's Campaign Reform Ordinance, Lobbyist Registration and Reporting Ordinance, the Gift Ban Ordinance and Sections 6 and 9 of the County Code of Ethics and Commitment to Public Service. The Commission is reported in governmental fund types.

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

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

Discretely Presented Component Units

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

of the County because, although the County Board has no control over the revenues, budgets, staff, or funding decisions made by CalOptima, the appointed CalOptima members serve at the will of the Board members who appoint them. CalOptima will continue until such time as the Board takes action to terminate CalOptima. A separate stand-alone annual financial report can be obtained by writing to CalOptima, 505 City Parkway West, Orange, CA 92868 or can be accessed via the website <http://wpso.dmhc.ca.gov/fe/search/>.

B. Government-Wide and Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

Governmental activities, which are normally supported by taxes, intergovernmental revenues, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns with a combined total column presented for the primary government. Likewise, the primary government is reported separately from the legally separate component units, CFCOC and CalOptima, for which the primary government is financially accountable. The government-wide Statement of Net Position displays the financial position of the primary government, in this case, the County and its discretely presented component units. The Statement of Net Position reports the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

County's financial and capital resources, including infrastructure, as well as the County's long-term obligations. The difference between the County's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources is its net position. Net position represents the resources that the County has available for use in providing services after its debt is settled.

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

- Net Investment in Capital Assets This amount is derived by subtracting the outstanding debts incurred by the County, including debt-related deferred outflows and inflows of resources, to buy or construct capital assets shown in the Statement of Net Position, net of depreciation.
- 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, 2018, the County's governmental activities reported restricted net position of \$1,433,605 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 \$57,712 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, 2018, the County reported \$12,044 of net position restricted by enabling legislation related to the Airport's PFC.
- Unrestricted Net Position These assets are resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following proprietary enterprise funds:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

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

Fiduciary Fund Types The County has a total of 373 individual trust and agency funds for FY 2017-18. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust or other postemployment benefits (OPEB) trust fund is used. An investment trust fund is used for the portion of the County investment pool representing external pool participants. Agency funds are used to account for assets that the County holds on behalf of others as their agent.

The County reports the following trust and agency funds:

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

Investment Trust

Orange County Investment Pool

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

Orange County Educational Investment Pool

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Financial Statements

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

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

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

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in-lieu of motor vehicle license fees, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectability is assured. Revenues that are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, provided that the revenues are also available. If intergovernmental revenues are expected to be received later than 60 days following the end of the fiscal year, then a receivable is recorded along with deferred inflows of resources. Once the 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, 2018,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

the County reported \$135,202 of deferred inflows of resources and \$84,014 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

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

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act
Actual Revenues and Other Financing Sources from the Budgetary Comparison Statements	\$ 3,333,438	\$ 152,856	\$ 90,163	\$ 170,705
Differences-budget to GAAP:				
Change in unrealized loss on investment	(2,489)	(1,246)	(429)	(911)
Adjustment to report redirected investment income as transfers	--	--	18	--
Adjustment of revenue accruals for 60 day recognition period	31,977	(1,854)	1,686	(248)
Adjustment to record Public-Purpose Trust Fund monies as revenue in benefitting fund	(1,288)	16	--	--
Adjustment to eliminate intrafund transfers	--	--	(3,473)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(15,186)	(89)	--	--
Revenues and Other Financing sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	6,417	--
Recognition of outstanding invoices for OC Animal Care Center	(6)	--	--	--
Reclassification of new loan from Waste Management to the General Fund	(556)	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 3,345,890</u>	<u>\$ 149,683</u>	<u>\$ 94,382</u>	<u>\$ 169,546</u>
Actual Expenditures and Other Financing Uses from the Budgetary Comparison Statements	\$ 3,303,656	\$ 185,991	\$ 84,726	\$ 178,523
Differences-budget to GAAP:				
Adjustment to report redirected investment income as transfers	--	--	18	--
Adjustment of expenditure accruals for timing differences	318	(6,879)	236	--
Adjustment to eliminate intrafund transfers	--	--	(3,473)	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(15,186)	(89)	--	--
Expenditures and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	8	--
Reclassification of loan repayment from General Fund to Waste Management	(784)	--	--	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 3,288,004</u>	<u>\$ 179,023</u>	<u>\$ 81,515</u>	<u>\$ 178,523</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance

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

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

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

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

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

Assigned Fund Balance Amounts a government intends to use for a specific purpose that are neither restricted nor committed; intent can be expressed by the governing body (Board) or by an official or body to which the governing body delegates authority (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 2017-18, through the County's budget process.

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

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

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

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventory	\$ 1,417	\$ 407	\$ 364	\$ --	\$ --	\$ 2,188
Prepaid costs	373,201	5,148	1,111	--	14,275	393,735
Endowment	--	--	--	--	200	200
Long-Term Advances to Other Funds	3,800	--	--	--	--	3,800
Total Nonspendable Fund Balance	378,418	5,555	1,475	--	14,475	399,923
Restricted for:						
Court Operations	2,548	--	--	--	--	2,548
Tobacco and CHIP Programs	2,110	--	--	--	--	2,110
Public Safety Realignment	27,157	--	--	--	--	27,157
Flood Control District	--	162,822	--	--	--	162,822
Flood Control District-Construction & Maintenance	--	59,758	--	--	--	59,758
Flood Control District-Project Management	--	34,012	--	--	--	34,012
Flood Control District Capital Projects	--	131,474	--	--	--	131,474
Flood Control District Capital Projects Acquisition	--	15,591	--	--	--	15,591
Building & Safety Operating Reserve	--	--	19,453	--	--	19,453
Child Support Program Development	--	--	12,915	--	--	12,915
Clerk Recorder Special Revenue	--	--	15,615	--	--	15,615
Clerk Recorder Operating Reserve	--	--	3,045	--	--	3,045
Sheriff-Coroner Replacement & Maintenance	--	--	14,966	--	--	14,966
Sheriff-Coroner Substations Fee Program	--	--	2,417	--	--	2,417
CAL-ID System Costs	--	--	32,635	--	--	32,635
Jail Commissary	--	--	4,740	--	--	4,740
Inmate Welfare	--	--	9,750	--	--	9,750
Prop 64-Consumer Protection	--	--	6,872	--	--	6,872
Regional Narcotics Suppression Program	--	--	13,148	--	--	13,148
Other Public Safety Programs	--	--	19,133	--	--	19,133
Mental Health Services Adults/Children	--	--	--	35,789	--	35,789
Mental Health Services Prevention and Early Intervention	--	--	--	11,343	--	11,343
Mental Health Services General	--	--	--	200,850	--	200,850
OC Dana Point Harbor Projects	--	--	--	--	70,776	70,776
Community and Welfare Services	--	--	--	--	18,539	18,539
Low and Moderate Income Housing Program	--	--	--	--	31,160	31,160
Health Care Programs	--	--	--	--	22,618	22,618
Civic Center Parking/Maintenance	--	--	--	--	5,260	5,260
Roads	--	--	--	--	50,183	50,183
Public Libraries	--	--	--	--	47,448	47,448
OC Parks	--	--	--	--	67,968	67,968
OC Parks-Capital Projects	--	--	--	--	20,639	20,639
County Tidelands-New port Bay	--	--	--	--	4,671	4,671
Service Areas, Lighting, Maintenance and Assessment Districts	--	--	--	--	102,326	102,326
Other Environmental Management	--	--	--	--	978	978
Tobacco Settlement Programs	--	--	--	--	16,570	16,570
Housing Programs	--	--	--	--	12,546	12,546
Technological and Capital Acquisitions/Improvements	--	--	--	--	1,627	1,627
Endowment	--	--	--	--	148	148
OC Public Facilities Corporation Bonds, Master Lease	--	--	--	--	2,768	2,768
Pension Obligation Bonds	--	--	--	--	46,599	46,599
South OC Public Financing Authority	--	--	--	--	7,046	7,046
Orange County Public Financing Authority	--	--	--	--	6	6
Teeter Plan Notes	--	--	--	--	18,385	18,385
Capital Projects:						
Criminal Justice Facilities Improvement	--	--	--	--	13,947	13,947
Capital Facilities Development Corporation Construction	--	--	--	--	108,963	108,963
Capital Facilities Development Corporation	--	--	--	--	14,770	14,770
Total Restricted Fund Balance	\$ 31,815	\$ 403,657	\$ 154,689	\$ 247,982	\$ 685,941	\$ 1,524,084

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

	General Fund	Flood Control District	Other Public Protection	Mental Health Services Act	Other Governmental Funds	Total Governmental Funds
Assigned to:						
General Services:						
General Services-Operations	\$ 82,761	\$ --	\$ --	\$ --	\$ --	\$ 82,761
Maintenance and Construction	11,600	--	--	--	--	11,600
Imprest Cash	1,835	--	--	--	45	1,880
Public Safety	12,617	--	--	--	--	12,617
Public Works	4,225	--	--	--	--	4,225
Watershed Programs	1,585	--	--	--	--	1,585
Social Services Programs	6,739	--	--	--	--	6,739
Health Care Programs	798	--	--	--	13,588	14,386
Teeter Plan Notes	--	--	--	--	62,666	62,666
Capital Projects:						
Property Tax Software Development	5,076	--	--	--	--	5,076
Criminal Justice Facilities	6,645	--	--	--	--	6,645
Central Utilities Facility Replacement	1,238	--	--	--	--	1,238
Election System Upgrade	20,000	--	--	--	--	20,000
Sheriff-Coroner Closed Circuit TV	3,000	--	--	--	--	3,000
Animal Care Center	21,000	--	--	--	--	21,000
Countywide Projects	--	--	--	--	42,602	42,602
Parking Facilities	--	--	--	--	1,156	1,156
OC Parks	--	--	--	--	12,183	12,183
Air Quality Improvement	--	--	--	--	5,556	5,556
Community and Welfare Services	--	--	--	--	39,157	39,157
Total Assigned Fund Balance	179,119	--	--	--	176,953	356,072
Unassigned	219,426	--	--	--	--	219,426
Total Unassigned Fund Balance	219,426	--	--	--	--	219,426
Total Fund Balances	<u>\$ 808,778</u>	<u>\$ 409,212</u>	<u>\$ 156,164</u>	<u>\$ 247,982</u>	<u>\$ 877,369</u>	<u>\$ 2,499,505</u>

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2018 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 2017-18, the proceeds of \$375,345 was for short-term Taxable Pension Obligation Bonds to prepay its FY 2018-19 pension contribution at a discount. Of this amount \$373,173 is the prepaid costs for General Fund and is Nonspendable. Refer to Note 10, Short-Term Obligations, and Note 18, Retirement Plans for additional information.

F. Deposits and Investments

The County 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 John Wayne Airport Investment Fund (JWA 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 GASB 72.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

Other than proceeds held by the County in the OCIP, proceeds from County-issued bonds are held by trustees and are invested in instruments authorized by the respective trust agreements including money market mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term investments are reported at amortized cost, while long-term investments, such as U.S. Government securities, are stated at fair value.

The Pools value participants' shares using an amortized cost basis. Specifically, the Pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) 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 4, Deposits and Investments for additional information.

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

G. Inventory of Materials and Supplies

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

H. Prepaid Costs

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these expenditures/expenses when consumed. Prepaid costs in the governmental funds Balance Sheet include \$393,735, which primarily consist of \$393,707 for the County's FY 2018-19 pension contribution at a discount.

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

I. Land and Improvements Held for Resale

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

J. Capital Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources

The County reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period.

Under the modified accrual basis of accounting, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The County has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes, intergovernmental revenues, SB90, and other sources as appropriate. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The SB90 deferred inflows of resources amount of \$6,711 is net of an allowance for the estimated uncollectible of \$2,810.

The deferred outflows/inflows of resources, included on the government-wide Statement of Net Position relate to the deferred charge on refunding, deferred outflows/inflows of resources related to pension and deferred outflows/inflows of resources related to OPEB. 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 and OPEB result from the net difference between projected and actual investment earnings on the plan investments, changes of assumptions and changes in proportion and differences between employer contributions and the proportionate share of contributions calculated by the actuarial study. The deferred outflows of resources related to pension and OPEB also includes employer contributions made after the measurement date and a portion of the County's prepaid retirement contribution.

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

	Governmental Activities	Airport	Waste Management	Total
Deferred Outflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 2	\$ --	\$ --	\$ 2
Difference Between Expected and Actual Experience	12,325	104	131	12,560
Changes of Assumptions	567,857	4,892	6,191	578,940
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	19,347	170	216	19,733
Deferred Outflows of Resources Related to Pension-Employer Contributions after Measurement Date				
	228,773	1,980	2,372	233,125
Deferred Outflows of Resources Related to Prepaid Contribution	198,756	1,715	2,188	202,659
Total Deferred Outflows of Resources Related to Pension	\$ 1,027,060	\$ 8,861	\$ 11,098	\$ 1,047,019
Deferred Inflows of Resources Related to Pension per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 377,059	\$ 2,612	\$ 3,404	\$ 383,075
Difference Between Expected and Actual Experience	351,045	3,309	4,192	358,546
Changes of Assumptions	78,350	863	1,057	80,270
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	146	1	1	148
Total Deferred Inflows of Resources Related to Pension	\$ 806,600	\$ 6,785	\$ 8,654	\$ 822,039

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

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

	Governmental Activities	Airport	Waste Management	Total
Deferred Outflows of Resources Related to OPEB per Actuarial Studies				
Employer Contributions after Measurement Date	\$ 23,718	\$ 199	\$ 253	\$ 24,170
Total Deferred Outflows of Resources Related to OPEB	<u>\$ 23,718</u>	<u>\$ 199</u>	<u>\$ 253</u>	<u>\$ 24,170</u>
Deferred Inflows of Resources Related to OPEB per Actuarial Studies				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	\$ 12,137	\$ 102	\$ 129	\$ 12,368
Total Deferred Inflows of Resources Related to OPEB	<u>\$ 12,137</u>	<u>\$ 102</u>	<u>\$ 129</u>	<u>\$ 12,368</u>

L. Self-Insurance

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

M. Property Taxes

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes (Continued)

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, 2018 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, 2018, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.60% of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

At June 30, 2018, the County's net pension liability from OCERS was measured as of December 31, 2017, and the total pension liability (TPL) used to calculate the net pension liability was determined by rolling forward the December 31, 2016 valuation to December 31, 2017. The County's net pension liability from the Extra-Help Defined Benefit Plan was measured as of June 30, 2018; and the plan's TPL used to calculate the net pension liability was determined by rolling forward the July 1, 2017 valuation to June 30, 2018.

P. Other Postemployment Benefits (OPEB)

The County recognizes a net OPEB liability to reflect the County's proportionate share of the excess of the total OPEB liability over the fiduciary net position of the County's Retiree Medical Plan. The Plan is reported in the County's financial statements and has a plan year-end of December 31, 2017. The actuarial valuation for the Retiree Medical Plan is based on the December 31, 2017 measurement date for the County reporting as of June 30, 2018.

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

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

Q. Statement of Cash Flows

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Indirect Costs

County indirect costs are allocated to benefitting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2017-18 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 200. For financial statement purposes, the County has elected to allocate indirect costs to budget controls within the General Fund in order to match the reimbursement of indirect costs recorded as program revenues to the same function where the related expense is recorded.

S. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2017-18:

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 improved financial reporting primarily through enhanced note disclosures and schedules of required supplementary information presented by OPEB plans that are administered through trusts that meet the specified criteria. The statement was implemented with a material impact to the County. Refer to Note 2, Changes in Accounting Principle and Note 19, Postemployment Health Care Benefits, for additional information.

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 employers of such plans. 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. The statement was implemented with a material impact to the County. Refer to Note 2, Changes in Accounting Principle and Note 19, Postemployment Health Care Benefits, for additional information.

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. The statement was implemented without an impact to the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Effects of New Pronouncements (Continued)

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 other postemployment benefits and more. 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. The statement was implemented.

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. The statement was implemented without an impact to the County.

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

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

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

In June 2018, GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*." This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Effects of New Pronouncements (Continued)

construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the County to implement this statement in FY 2020-21.

In August 2018, GASB issued Statement No. 90, "Majority Equity Interests." This statement improves the consistency and comparability of a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The statement requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100% equity interest in the component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which requires the County to implement this statement in FY 2019-20.

T. Use of Estimates

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

U. Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Position Line Items in Statement of Net Position

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

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

2. CHANGE IN ACCOUNTING PRINCIPLE

The County implemented GASB Statement No. 74, GASB Statement No. 75, and GASB Statement No. 85 in the current financial statements. Prior period adjustments of \$406,268 and \$6,892 were made to decrease the governmental activities' beginning net position and business-type activities' beginning net position. The restatement of beginning net position of the governmental activities and business-type activities are restated as follows:

	Governmental Activities	Business-Type Activities
Net Position at June 30, 2017	\$ 1,255,191	\$ 1,249,960
OPEB Asset-GASB 45	(44,838)	--
Net OPEB Liability-GASB 75	(388,493)	(7,408)
Deferred Outflows of Resources Related to OPEB	27,063	516
Net Position at June 30, 2017, as Restated	<u>\$ 848,923</u>	<u>\$ 1,243,068</u>

Prior period adjustments of \$3,036, \$3,856, and \$4,566 were made to the beginning net position of Enterprise Funds and Internal Service Funds. The restatements of beginning net position of proprietary funds are restated as follows:

	Airport	Waste Management	Governmental Activities- Internal Service Funds
Net Position at June 30, 2017	\$ 680,918	\$ 582,872	\$ 33,530
Net OPEB Liability-GASB 75	(3,263)	(4,145)	(4,908)
Deferred Outflows of Resources Related to OPEB	227	289	342
Net Position at June 30, 2017 as Restated	<u>\$ 677,882</u>	<u>\$ 579,016</u>	<u>\$ 28,964</u>

Prior period adjustment of \$37,996 was made to the beginning net position of the Retiree Medical Trust Fund. The restatement of beginning net position of the fiduciary fund is restated as follows:

	Retiree Medical Plan (Combined 401(h) and 115 Trusts)
Net Position at June 30, 2017	\$ 269,803
Prior Period Adjustment due to GASB 74	(37,996)
Net Position at June 30, 2017 as Restated	<u>\$ 231,807</u>

Refer to Note 1, Summary of Significant Accounting Policies, for additional information on GASB Statement No. 74, GASB Statement No. 75, and GASB Statement No. 85.

3. DEFICIT FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) reported a deficit net position balance of \$68,082. The deficit results from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment expenses, and a discount for anticipated investment income. The deficit decreased by \$10,269 from the previous fiscal year primarily due to a strategic decision to increase charges to program participants combined with a decrease in claim payments. Charges to County departments have not provided sufficient cash flows to entirely fund the deficit in the Workers' Compensation ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program.

Effective with OCDA's dissolution on February 1, 2012, their assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the Successor Agency. The Successor Agency private-purpose trust fund reported a deficit net position of \$12,330. The deficit for the Successor Agency decreased by \$137 from the previous fiscal year primarily due to an increase in other revenues as a result of the final distributions of the available cash for the B-13 claimants.

4. DEPOSITS AND INVESTMENTS

The elected Treasurer-Tax Collector (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 JWA Fund and other non-pooled specific 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 pooled funds do not have any legally binding guarantees of share values.

The Treasurer further invests pooled funds from the OCIP and OCEIP into three funds, the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF), and the Extended Fund. On September 19, 2018, Standard & Poor's (S&P) reaffirmed its highest rating of AAAM Principal Stability Fund Rating (AAAm) on the OCMMF and the OCEMMF. The Treasurer will act on a "best efforts" basis to stabilize the Net Asset Value (NAV) of OCMMF and OCEMMF within a range of \$0.995 (in absolute dollar amounts) and \$1.005 (in absolute dollar amounts).

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 Section 53601. 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% (2.32 at June 30, 2018).

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

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

Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. 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 \$9,325,557 as of June 30, 2018, consisting of \$4,029,130 for the OCIP, \$5,190,368 for the OCEIP, and \$106,059 for Specific Investments.

4. DEPOSITS AND INVESTMENTS (Continued)

Total County deposits and investments at fair value as of June 30, 2018, are reported as follows:

Deposits:

Imprest Cash	\$ 1,946
Deposits for OCIP with Treasurer	10,266
Deposits for OCEIP with Treasurer	31,141
Deposits with Trustees	5,025
All other Deposits and Timing Differences	111,626
Total Deposits and Timing Differences	<u>160,004</u>

Investments:

Investments for OCIP with Treasurer	4,018,804
Investments for OCEIP with Treasurer	4,932,165
Specific Investments with Treasurer	97,508
Restricted Investments With Trustees	519,244
External-OCERS	289,352
Total Investments	<u>9,857,073</u>
Total Deposits and Investments	<u>\$ 10,017,077</u>

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

Governmental Funds	\$ 2,444,887
Proprietary Funds	1,064,150
Fiduciary Funds	6,471,003
Component Unit-CFCOC	37,037
Total Deposits and Investments	<u>\$ 10,017,077</u>

A. Deposits

CGC Section 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 an agent of a depository pursuant to CGC Section 53658. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written agreements are required to provide, among other things, that the collateral securities are held separately from the assets of the depository institution. FDIC is available for demand deposits and time saving deposits 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 an agent of a depository in accordance with CGC Sections 53652 and 53658.

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

B. **Investments**

The CGC Sections 53601 and 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, and credit quality to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2018, 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, 2018.

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	\$65 million per account	\$65 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

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC Section 53601, structured notes, structured investment vehicles, 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 in accordance with GASB Statement No. 72. Investments in the OCIF are marked-to-market on a daily basis. If the NAV of the OCMMF or OCMMF is less than \$0.995 (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, 2018, the OCIP includes approximately 11.1% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures

The following table presents a summary of the County's investments, the credit quality distribution, and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2018.

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>OCEIP (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 76,891	\$ 77,000	0.00%	07/17/18 - 09/11/18	0.080	P-1	1.91%
FNMA Bonds	351,308	355,589	0.88 - 2.75%	10/19/18 - 06/22/21	1.228	AA	8.74%
FFCB Discount Notes	9,865	10,000	0.00%	02/15/19	0.630	P-1	0.25%
FFCB Bonds	312,785	315,591	0.75 - 2.70%	07/18/18 - 04/23/21	1.757	AA	7.78%
FHLB Discount Notes	281,118	281,600	0.00%	07/02/18 - 11/08/18	0.093	P-1	6.99%
FHLB Bonds	722,384	726,007	0.63 - 3.38%	07/13/18 - 03/12/21	1.040	AA	17.98%
FHLMC Discount Notes	45,920	46,000	0.00%	07/18/18 - 09/24/18	0.096	P-1	1.14%
FHLMC Bonds	370,920	373,979	0.85 - 2.50%	07/27/18 - 11/17/20	0.752	AA	9.23%
Negotiable Certificates of Deposit							
Certificates of Deposit	62,989	63,128	1.69 - 1.72%	07/30/18 - 03/29/19	0.289	A1	1.57%
Certificates of Deposit	34,986	35,016	1.75%	09/10/18	0.197	AA	0.87%
Medium-Term Corporate Notes							
Corporate Notes	184,612	186,578	1.10 - 2.25%	11/03/18 - 02/23/21	1.380	AA	4.59%
Corporate Notes	80,480	80,568	1.75 - 4.13%	12/15/18 - 06/23/20	0.995	AA	2.00%
Corporate Notes	57,685	58,331	1.13 - 5.15%	07/15/18 - 03/01/21	1.120	AAA	1.44%
Corporate Notes	17,250	17,261	1.15 - 2.00%	08/15/18	0.126	A	0.43%
Municipal Debt	185,692	185,116	1.88 - 2.25%	07/31/18 - 04/30/19	0.560	NR	4.62%
U.S. Treasuries	1,094,761	1,103,681	0.00 - 9.00%	07/05/18 - 05/31/22	1.154		27.24%
Money Market Mutual Funds	97,190	97,190	1.84 - 1.87%	07/02/18	0.005	AAA	2.42%
Local Agency Investment Fund	31,968	32,028	1.85%	07/02/18	0.005	NR	0.80%
	<u>\$ 4,018,804</u>	<u>\$ 4,044,663</u>			<u>0.957 (4)</u>		<u>100.00%</u>

With Treasurer:	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>OCEIP (2)</u>							
U.S. Government Agencies							
FNMA Bonds	\$ 367,526	\$ 371,927	0.75 - 2.75%	07/13/18 - 06/22/21	1.208	AA	7.45%
FFCB Discount	52,509	52,600	0.00%	07/09/18 - 11/08/18	0.092	P-1	1.06%
FFCB Bonds	317,754	320,634	0.70 - 2.70%	07/05/18 - 04/23/21	1.776	AA	6.44%
FHLB Discount Notes	708,758	709,734	0.00%	07/02/18 - 03/21/19	0.075	P-1	14.37%
FHLB Bonds	832,705	836,648	0.63 - 3.38%	07/13/18 - 03/12/21	0.952	AA	16.88%
FHLMC Discount Notes	33,310	33,379	0.00%	07/23/18 - 08/27/18	0.112	P-1	0.68%
FHLMC Bonds	431,552	434,900	0.80 - 2.50%	07/11/18 - 11/17/20	0.731	AA	8.75%
Negotiable Certificates of Deposit							
Certificates of Deposit	64,729	64,872	1.69 - 1.72%	7/30/18 - 3/29/19	0.289	A1	1.31%
Certificates of Deposit	35,952	35,984	1.75%	09/10/18	0.197	AA	0.73%
Medium-Term Corporate Notes							
Corporate Notes	241,552	243,584	1.10 - 4.20%	11/03/18 - 02/23/21	1.280	AA	4.90%
Corporate Notes	74,965	75,036	1.75 - 4.13%	12/15/18 - 06/23/20	1.006	AA	1.52%
Corporate Notes	64,554	65,249	1.13 - 5.15%	07/15/18 - 03/01/21	1.061	AAA	1.31%
Corporate Notes	39,994	40,115	1.70 - 2.00%	08/15/18 - 03/15/19	0.467	A	0.81%
Municipal Debt	190,822	190,229	1.88 - 2.25%	07/31/18 - 04/30/19	0.560	NR	3.87%
U.S. Treasuries	1,399,138	1,408,464	0.00 - 9.00%	07/05/18 - 05/31/22	0.942		28.37%
Money Market Mutual Funds	43,494	43,494	1.84 - 1.87%	07/02/18	0.005	AAA	0.88%
Local Agency Investment Fund	32,851	32,912	1.85%	07/02/18	0.005	NR	0.67%
	<u>\$ 4,932,165</u>	<u>\$ 4,959,761</u>			<u>0.833 (4)</u>		<u>100.00%</u>

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Specific Investments (2)</u>							
U.S. Government Agencies							
FNMA Bonds	\$ 16,604	\$ 16,320	1.13 - 6.25%	07/20/18 - 5/15/29	3.035	AA	17.03%
FFCB Discount Notes	2,000	2,000	0.00%	07/03/18	0.008	P-1	2.05%
FFCB Bonds	11,567	11,665	1.10 - 4.44%	12/05/18 - 11/02/35	10.890	AA	11.86%
FHLB Discount Notes	9,537	9,565	0.00%	08/03/18 - 09/05/18	0.153	P-1	9.78%
FHLB Bonds	10,277	10,430	1.63 - 3.25%	06/14/19 - 06/09/23	2.687	AA	10.54%
FHLMC Bonds	8,020	6,800	0.85 - 6.75%	07/27/18 - 07/15/32	7.966	AA	8.23%
U.S. Treasuries	38,115	38,225	0.00 - 9.00%	07/15/18 - 02/15/36	2.437		39.09%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	1.126	AA	1.11%
Money Market Mutual Funds	306	306	1.75 - 1.87%	07/02/18	0.005	AAA	0.31%
	<u>\$ 97,508</u>	<u>\$ 96,393</u>			<u>3.727 (4)</u>		<u>100.00%</u>

<u>With Trustees:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Restricted Investments with Trustees (2)</u>							
U.S. Government Agencies							
FNMA Zero Coupon Bonds	\$ 46,562	\$ 21,491	0.00%	09/01/21	1.118	AA	8.97%
FHLMC Bond	28,261	28,401	0.88 - 1.20%	04/15/19 - 07/19/19	0.186	AA	5.44%
FNMA Bond	16,544	16,673	1.13 - 1.88%	09/18/18 - 02/19/19	0.056	AA	3.19%
FHLB Bond	22,810	23,003	1.25 - 1.63%	01/16/19 - 06/14/19	0.141	AA	4.39%
FHLMC Discount Notes	3,334	3,326	0.88%	10/12/18	0.007	AA	0.64%
FFCB Bond	14,894	14,938	1.25%	12/12/18 - 1/17/19	0.056	AA	2.87%
U.S. Treasuries	47,682	48,085	0.75 - 9.00%	07/15/18 - 11/30/20	0.596		9.18%
U.S. Treasury Strips	3,800	3,487	0.00-2.41%	11/15/18 - 11/15/19	1.283		0.73%
Money Market Mutual Funds	192,343	192,343	Variable	07/02/18	0.003	AAA	37.04%
Bond Mutual Funds	6,102	6,102	3.09% - 8.56%	07/02/18	0.005	BBB	1.18%
Non-Bond Funds	121,177	121,177	Variable	07/02/18	0.005	NR	23.34%
Stable Value Fund	15,735	15,735	Variable	07/02/18	0.006	AA	3.03%
	<u>\$ 519,244</u>	<u>\$ 494,761</u>			<u>0.187 (4)</u>		<u>100.00%</u>

With External OCERS

Restricted Investments (3)	<u>\$ 289,352</u>
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(1) 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 County is not required to disclose the credit ratings of obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, and the ratings for U.S. Treasuries are not disclosed.

(2) Legend:

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

(3) The Retiree Medical Trust Reports \$289,352 of restricted investments with OCERS as of plan year 12/31/17, refer to Note 19. For more information regarding investments with OCERS, refer to their most recently issued financial statements available at <http://www.ocers.org/finance/finance.htm>.

(4) Portfolio weighted average maturity

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Fair Value Measurements

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

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

Fair value measurement is based on pricing received from the County's third party vendors. Investments in money market mutual funds are priced using amortized cost, which approximates fair value, with a net asset value of \$1.00 (in absolute dollar amounts) per share, and per GASB Statement No. 72 are not subject to the fair value hierarchy. Additionally, the Local Agency Investment Fund (LAIF) and Guaranteed Investment Contracts (GICs) 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, 2018.

Fair Value Measurement					
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
OCIP					
U.S. Government Agencies	\$ 2,171,191	\$ --	\$ 2,171,191	\$ --	
Negotiable Certificates of Deposit	97,975	--	97,975	--	
Medium-Term Corporate Notes	340,027	--	340,027	--	
Municipal Debt	185,692	--	185,692	--	
U.S. Treasuries	1,094,761	--	1,094,761	--	
Sub-total	3,889,646	--	3,889,646	--	
Investments Not Subject to Fair Value Hierarchy:					
Money Market Mutual Funds	97,190				
Local Agency Investment Fund	31,968				
Total	\$ 4,018,804				
OCEP					
U.S. Government Agencies	\$ 2,744,114	\$ --	\$ 2,744,114	\$ --	
Negotiable Certificates of Deposit	100,681	--	100,681	--	
Medium-Term Corporate Notes	421,065	--	421,065	--	
Municipal Debt	190,822	--	190,822	--	
U.S. Treasuries	1,399,138	--	1,399,138	--	
Sub-total	4,855,820	--	4,855,820	--	
Investments Not Subject to Fair Value Hierarchy:					
Money Market Mutual Funds	43,494				
Local Agency Investment Fund	32,851				
Total	\$ 4,932,165				

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Fair Value Measurements (Continued)

		Fair Value Measurement		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>Specific Investments</u>				
U.S. Government Agencies	\$ 58,005	\$ --	\$ 58,005	\$ --
U.S. Treasuries	38,115	--	38,115	--
Repurchase Agreements	1,082	--	--	1,082
Sub-total	97,202	--	96,120	1,082
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	306			
Total	\$ 97,508			
<u>With Trustees</u>				
U.S. Government Agencies	\$ 132,405	\$ --	\$ 132,405	\$ --
U.S. Treasuries	51,482	--	51,482	--
Bond Mutual Funds	6,102	6,102	--	--
Sub-total	189,989	6,102	183,887	--
Investments Not Subject to Fair Value Hierarchy:				
Money Market Mutual Funds	192,343			
Non-Bond Funds	121,177			
Stable Value Fund	15,735			
Total	\$ 519,244			

Investment in County of Orange Taxable Pension Obligation Bonds 2018, Series A

On January 12, 2018, the pooled funds purchased the County issued Taxable Pension Obligation Bonds 2018, Series A (2018 POBs) in the principal amount of \$375,345. The 2018 POBs were issued with a fixed coupon rate and with maturities from July 2018 to April 2019 and are solely owned by the pooled funds. The obligation of the County to pay principal and interest on the 2018 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2018, the outstanding principal amount of the 2018 POBs is \$375,345. The bonds are not rated by any of the NRSROs. The County's investment in the 2018 POBs is disclosed herein as Municipal Debt. For additional information, refer to Note 10, Short-Term Obligations, and Note 18, Retirement Plans.

Interest Rate Risk-Investments

This is the risk that changes in market 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 \$4,018,804 and the OCEIP of \$4,932,165 portfolios at June 30, 2018 have 38% and 46%, respectively, of the investments maturing in six months or less, 62% and 54%, respectively, maturing between six months and four years.

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

B. **Investments (Continued)**

Interest Rate Risk-Investments (Continued)

The variable-rate notes, if any, 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. As of June 30, 2018, the OCIP and the OCEIP have no variable-rate notes.

The annual average daily investment balances of the OCIP and the OCEIP were \$4,491,750 and \$4,671,230, respectively, with an annual net yield of 1.22% and 1.24% respectively for the pools, for the year ended June 30, 2018.

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

At June 30, 2018, the OCMMF and OCEMMF investments fair values amounted to \$763,523 and \$1,586,961, 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 two short-term pools. As of the last business day, the WAM of the OCMMF was 54 days and the WAM of the OCEMMF was 54 days, and the NAV of both short-term pools was \$1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Long-term Pool)

At June 30, 2018, the long-term pool (which includes funds from both the OCIP and the OCEIP) balance was \$6,600,485. 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 (2.32).

As of June 30, 2018, the long-term pool had the following duration by investment type:

Investment Type	Fair Value	Portfolio %	Duration (In Years)
Local Agency Investment Fund	\$ 64,819	0.98%	0.00
Negotiable Certificate of Deposits	198,656	3.01%	0.26
Medium-Term Corporate Notes	614,375	9.31%	1.25
Municipal Debt	376,514	5.70%	0.55
U.S. Government Agencies	3,544,072	53.69%	1.14
U.S. Treasuries	1,802,049	27.30%	1.34
Total Fair Value	<u>\$ 6,600,485</u>		
Portfolio Duration			1.13

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 collateral securities that are in possession of an outside party. The IPS does not permit investments in uninsured and unregistered securities if they are not held by the County or by the County's custodial bank. 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).

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

B. **Investments (Continued)**

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, 2018, the County's investments in OCIF were in compliance with the state Law and 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. To mitigate this risk, the IPS limits the amount of exposure to any one single issuer. As of June 30, 2018, all investments were in compliance with state law and the IPS single issuer limits for each pool. See the County's investments table for concentrations of holdings. The following holdings of all pooled funds with the Treasurer exceeded five percent of the portfolio at June 30, 2018.

With Treasurer:

Investment Type	Issuer	Percentage of Portfolio June 30, 2018
U.S. Government Agencies	Federal National Mortgage Association	8.98%
U.S. Government Agencies	Federal Farm Credit Bank	7.81%
U.S. Government Agencies	Federal Home Loan Bank	28.34%
U.S. Government Agencies	Federal Home Loan Mortgage Corporation	9.83%
U.S. Treasuries	United States Treasuries	27.98%

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, 2018:

Entire Pool

Statement of Net Position

	OCIP	OCEIP	Total
Net Position Held for Pool Participants	\$ 4,051,108	\$ 5,186,501	\$ 9,237,609
Equity of Internal Pool Participants	\$ 3,646,394	\$ --	\$ 3,646,394
Equity of External Pool Participants	426,380	5,208,420	5,634,800
Undistributed and Unrealized (Loss)	(21,666)	(21,919)	(43,585)
Total Net Position	\$ 4,051,108	\$ 5,186,501	\$ 9,237,609

Statement of Changes in Net Position

Net Position at July 1, 2017	\$ 4,094,194	\$ 4,827,922	\$ 8,922,116
Net Changes in Investments by Pool Participants	(43,086)	358,579	315,493
Net Position at June 30, 2018	\$ 4,051,108	\$ 5,186,501	\$ 9,237,609

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

B. **Investments (Continued)**

Condensed Financial Statements (Continued)

External Pool Portion

Combining Statement of Fiduciary Net Position

	<u>OCIP</u>	<u>OCEIP</u>	<u>Total</u>
<u>Assets</u>			
Pooled Cash/Investments	\$ 424,677	\$ 5,164,109	\$ 5,588,786
Receivables			
Interest/Dividends	1,817	22,645	24,462
Total Assets	<u>426,494</u>	<u>5,186,754</u>	<u>5,613,248</u>
<u>Liabilities</u>			
Due to Other Governmental Agencies	114	253	367
Total Liabilities	<u>114</u>	<u>253</u>	<u>367</u>
<u>Net Position</u>			
Restricted for Pool Participants	<u>426,380</u>	<u>5,186,501</u>	<u>5,612,881</u>
Total Net Position	<u>\$ 426,380</u>	<u>\$ 5,186,501</u>	<u>\$ 5,612,881</u>

Combining Statement of Changes in Fiduciary Net Position

	<u>OCIP</u>	<u>OCEIP</u>	<u>Total</u>
Additions:			
Contributions to Pooled Investments	\$ 592,140	\$ 8,221,797	\$ 8,813,937
Other Revenues	--	150	150
Interest and Investment Income	3,519	52,691	56,210
Less: Investment Expense	(216)	(3,017)	(3,233)
Total Additions	<u>595,443</u>	<u>8,271,621</u>	<u>8,867,064</u>
Deductions:			
Distributions from Pooled Investments	598,049	7,913,042	8,511,091
Total Deductions	<u>598,049</u>	<u>7,913,042</u>	<u>8,511,091</u>
Change in Net Position Held in Trust For External Investment Pool	(2,606)	358,579	355,973
Net Position, Beginning of Year	<u>428,986</u>	<u>4,827,922</u>	<u>5,256,908</u>
Net Position, End of Year	<u>\$ 426,380</u>	<u>\$ 5,186,501</u>	<u>\$ 5,612,881</u>

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

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

4. DEPOSITS AND INVESTMENTS (Continued)

D. Restricted Investments with OCERS

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

E. 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
- 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 statement 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, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 340,361	\$ --	\$ --	\$ 340,361
U.S. Agencies	--	97,566	--	97,566
Asset-Backed Securities	--	98,082	--	98,082
Commercial Deposits	--	4,991	--	4,991
Commercial Paper	--	22,565	--	22,565
Corporate Bonds	--	325,476	--	325,476
Government	--	27,386	--	27,386
Mortgage-Backed Securities	--	60,653	--	60,653
Municipal Bonds	--	109,676	--	109,676
	\$ 340,361	\$ 746,395	\$ --	\$ 1,086,756

4. DEPOSITS AND INVESTMENTS (Continued)

E. CalOptima's Cash and Investments (Continued)

Marketable securities (Continued)

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

	2018
Current Assets:	
Cash and Cash Equivalents	\$ 370,933
Investments	580,299
Board-Designated Assets and Restricted Cash:	
Cash and Cash Equivalents	26,683
Investments	511,564
Restricted Deposit	300
Total	<u>\$ 1,489,779</u>

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure CalOptima may not be able to recover its deposits or collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by public agencies by pledging securities in an undivided collateral pool held by a depository regulated under the State law. At June 30, 2018, no deposits were exposed to custodial credit risk, as CalOptima has pledged collateral to cover the amounts.

Investments

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

Interest rate risk

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

As of June 30, 2018, CalOptima's investments, including cash equivalents, had the following modified duration:

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
U.S. Agencies	\$ 97,566	\$ 53,950	\$ 43,616
Asset-Backed Securities	98,082	40,123	57,959
Corporate Bonds	325,476	150,685	174,791
Government	27,386	11,916	15,470
Mortgage-Backed Securities	60,653	33,330	27,323
Municipal Bonds	109,676	47,034	62,642
U.S. Treasury Notes	340,361	209,774	130,587
Certificates of Deposits	4,991	4,991	--
Commercial Paper	22,565	22,565	--
Cash Equivalents	335,014	335,014	--
Cash	1,375	1,375	--
Total	<u>1,423,145</u>	<u>\$ 910,757</u>	<u>\$ 512,388</u>
Accrued Interest Receivable	5,191		
	<u>\$ 1,428,336</u>		

4. DEPOSITS AND INVESTMENTS (Continued)

E. CalOptima's Cash and Investments (Continued)

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, 2018
Asset-Back Securities	\$ 98,082
Mortgage-Backed Securities	60,653
	<u>\$ 158,735</u>

Credit risk

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

As of June 30, 2018, following are the credit ratings of investments and cash equivalents:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End					
				AAA	Aa & Aa+	Aa-	A+	A	A-
U.S. Treasury Notes	\$ 424,084	N/A	\$ 424,084	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
U.S. Agency Notes	140,852	N/A	140,852	--	--	--	--	--	--
Corporate Bonds	267,656	A-	--	2,096	20,136	32,266	70,433	100,078	42,647
FRN Securities	119,715	A-	--	47,187	3,581	7,420	19,960	22,322	19,245
Asset-Backed Securities	147,203	AAA	--	100,674	20,252	20,000	1,001	2,856	2,420
Mortgage-Backed Securities	60,754	AAA	--	60,754	--	--	--	--	--
Municipal Bonds	65,962	A	--	4,808	38,071	12,516	9,075	1,007	485
Supranational	15,385	AAA	--	15,385	--	--	--	--	--
Certificates of Deposit	5,053	A1/P1	--	5,053	--	--	--	--	--
Commercial Paper	64,431	A1/P1	--	64,431	--	--	--	--	--
Money Market Mutual Funds	117,241	AAA	--	117,241	--	--	--	--	--
Total	<u>\$ 1,428,336</u>		<u>\$ 564,936</u>	<u>\$ 417,629</u>	<u>\$ 82,040</u>	<u>\$ 72,202</u>	<u>\$ 100,469</u>	<u>\$ 126,263</u>	<u>\$ 64,797</u>

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of CalOptima's investment in a single issuer. CalOptima's investment policy limits to no more than 5% of the total fair value of investments in the securities of any one issuer, except for obligations of the U.S. government, U.S. government agencies or government-sponsored enterprises; and no more than 10% may be invested in one money market mutual fund unless approved by the governing board. The investment policy also places a limit of 35% of the amount of investment holdings with any one government-sponsored issuer and 5% of all other issuers. At June 30, 2018, all holdings complied with the foregoing limitations. The following holdings exceeded 5% of the portfolio at June 30, 2018:

Investment Type	Issuer	Percentage of Portfolio 2018
U.S. Treasury Notes	United States Treasury	30.42

5. CHANGES IN CAPITAL ASSETS

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

	Primary Government				Balance June 30, 2018
	Balance July 1, 2017	Increases	Decreases	Adjustments	
Governmental Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	\$ 839,273	\$ 23,431	\$ (15,648)	\$ 3,603	\$ 850,659
Land Use Rights (Permanent)	7,602	--	--	(3,603)	3,999
Construction in Progress	175,447	210,569	(179,187)	--	206,829
Intangible in Progress	5,562	10,174	(950)	--	14,786
Total Capital Assets Not Depreciable/Amortizable	1,027,884	244,174	(195,785)	--	1,076,273
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,247,078	135,552	(9,476)	--	1,373,154
Land Improvements	4,246	10	--	--	4,256
Equipment	453,626	74,849	(33,882)	--	494,593
Software	122,549	3,175	--	--	125,724
Infrastructure:					
Flood Channels	1,253,746	14,668	(138)	--	1,268,276
Roads	293,101	34,188	(90)	--	327,199
Bridges	116,382	20,512	--	--	136,894
Trails	44,073	431	(3)	--	44,501
Traffic Signals	11,956	3,974	(250)	--	15,680
Harbors and Beaches	41,238	--	--	--	41,238
Total Capital Assets, Depreciable/Amortizable	3,587,995	287,359	(43,839)	--	3,831,515
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(694,868)	(33,534)	9,476	--	(718,926)
Land Improvements	(435)	(292)	--	--	(727)
Equipment	(313,780)	(25,732)	18,636	--	(320,876)
Software	(78,341)	(9,451)	--	--	(87,792)
Infrastructure:					
Flood Channels	(334,364)	(16,653)	138	--	(350,879)
Roads	(142,109)	(15,581)	90	--	(157,600)
Bridges	(41,348)	(3,086)	--	--	(44,434)
Trails	(34,909)	(1,078)	3	--	(35,984)
Traffic Signals	(10,947)	(801)	250	--	(11,498)
Harbors and Beaches	(31,138)	(874)	--	--	(32,012)
Total Accumulated Depreciation/Amortization	(1,682,239)	(107,082)	28,593	--	(1,760,728)
Total Capital Assets, Depreciable/Amortizable (Net)	1,905,756	180,277	(15,246)	--	2,070,787
Governmental Activities Total Capital Assets, Net	\$ 2,933,640	\$ 424,451	\$ (211,031)	\$ --	\$ 3,147,060

Capital asset activity for the year ended June 30, 2018 includes the following adjustment amounts:

- \$3,603 represents a parcel of land originally recorded as an easement (Land Use Rights) but was later determined to meet the requirements of Land with no use restrictions.

5. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2018
	Balance July 1, 2017	Increases	Decreases	Adjustments	
Business-Type Activities:					
Capital Assets Not Depreciable/Amortizable:					
Land	\$ 37,842	\$ 497	\$ --	\$ --	\$ 38,339
Construction in Progress	103,932	84,810	(5,545)	--	183,197
Intangible in Progress	255	560	(66)	--	749
Total Capital Assets Not Depreciable/Amortizable	142,029	85,867	(5,611)	--	222,285
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	789,263	3,727	(213)	--	792,777
Equipment	83,963	14,494	(3,988)	--	94,469
Software	3,641	385	--	--	4,026
Infrastructure	621,168	580	--	--	621,748
Total Capital Assets, Depreciable/Amortizable	1,498,035	19,186	(4,201)	--	1,513,020
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(308,036)	(25,497)	113	--	(333,420)
Equipment	(58,374)	(5,412)	3,858	--	(59,928)
Software	(750)	(661)	--	--	(1,411)
Infrastructure	(375,165)	(16,028)	--	--	(391,193)
Total Accumulated Depreciation/Amortization	(742,325)	(47,598)	3,971	--	(785,952)
Total Capital Assets, Depreciable/Amortizable (Net)	755,710	(28,412)	(230)	--	727,068
Business-Type Activities Total Capital Assets, Net	<u>\$ 897,739</u>	<u>\$ 57,455</u>	<u>\$ (5,841)</u>	<u>\$ --</u>	<u>\$ 949,353</u>

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

Government Activities:	
General Government	\$ 11,082
Public Protection	45,955
Public Ways and Facilities	22,056
Health and Sanitation	3,888
Public Assistance	4,988
Education	1,695
Recreation and Cultural Services	7,550
Internal Service Funds' Depreciation Expense Allocated to Various Functions	9,868
Total Governmental Activities Depreciation/Amortization Expense	<u>107,082</u>
Business-Type Activities:	
Airport	30,392
Waste Management	17,206
Total Business-Type Activities Depreciation/Amortization Expense	<u>47,598</u>
Total Depreciation/Amortization Expense	<u>\$ 154,680</u>

6. RECEIVABLES

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

Accounts Receivable

Accounts Receivable had a balance of \$29,413 as of June 30, 2018. Of this amount, \$715 is not expected to be collected within the next fiscal year. This primarily consists of \$414 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 \$4,723 as of June 30, 2018. Of this amount, \$1,579 is not expected to be collected within the next fiscal year. This primarily consists of \$901 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 \$455,867 as of June 30, 2018. Of this amount, \$10,743 is not expected to be received within the next fiscal year, which primarily consists of \$6,711 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. \$3,368 is for expected reimbursement of the Santa Ana River Subvention claims that will be submitted to the State Department of Water Resources. In addition, \$574 is related to a pending credit memo for animal care billings.

Notes Receivable

Notes Receivable had a balance of \$27,774 as of June 30, 2018. Of this amount, \$27,601 is not expected to be received within the next fiscal year. This primarily consists of \$25,004 for loans to build affordable, low to moderate income, and senior housing. In addition, \$2,030 is for housing loans for MHSA programs and \$518 is for loans provided to first time home buyers.

7. INTERFUND RECEIVABLES AND PAYABLES

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

7. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The composition of interfund balances as of June 30, 2018 is as follows:

Due from/to other funds:

Payable Funds	Receivable Funds							Total
	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Waste Management	Compressed Natural Gas	Internal Service Funds	
General Fund	\$ --	\$ 929	\$ 1,516	\$ 20,393	\$ --	\$ 7	\$ 2,620	\$ 25,465
Flood Control District	6,314	--	180	1,122	20	--	9	7,645
Other Public Protection	5,727	--	--	5	--	--	9	5,741
Mental Health Services Act	42,439	--	--	--	--	--	--	42,439
Other Governmental Funds	69,529	1,373	385	3,353	29	--	89	74,758
Airport	2,271	1	2	42	--	--	231	2,547
Waste Management	9,378	178	--	181	--	--	32	9,769
Compressed Natural Gas	16	81	--	--	--	--	--	97
Internal Service Funds	634	29	35	9	--	--	6	713
Total	<u>\$ 136,308</u>	<u>\$ 2,591</u>	<u>\$ 2,118</u>	<u>\$ 25,105</u>	<u>\$ 49</u>	<u>\$ 7</u>	<u>\$ 2,996</u>	<u>\$ 169,174</u>

Interfund transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – CFCOC	\$ 494
Component Unit – CFCOC	Primary Government – Other Governmental Funds	3

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

Advances to/from other funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Funds	\$ 3,800
Waste Management	General Fund	556
Waste Management	Other Governmental Funds	29,440

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.

8. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancellable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancellable operating leases with air carriers and concessionaires, and the 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, 2018, approximates \$67,963, net of accumulated depreciation.

8. COUNTY PROPERTY ON LEASE TO OTHERS (Continued)

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancellable operating leases as of June 30, 2018 are as follows:

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities
2019	\$ 12,942	\$ 50,827
2020	11,653	39,446
2021	10,489	26,663
2022	10,346	7,951
2023	8,768	4,547
	<u>54,198</u>	<u>129,434</u>
2024-2028	37,869	23,261
2029-2033	33,442	13,627
2034-2038	35,878	--
2039-2043	11,526	--
2044-2048	4,878	--
2049-2053	4,429	--
2054-2058	4,832	--
2059-2063	5,162	--
2064-2068	5,464	--
2069-2073	5,843	--
2074-2078	6,359	--
2079-2081	3,321	--
	<u>159,003</u>	<u>36,888</u>
Total future minimum rentals	<u>\$ 213,201</u>	<u>\$ 166,322</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$33,351 (Enterprise Funds), \$6,627 (Other Governmental Funds), \$545 (Internal Service Funds) and \$372 (Flood Control District) for the year ended June 30, 2018.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 were as follows:

Transfer Out Funds	Transfer In Funds						Total
	General Fund	Flood Control District	Other Public Protection	Other Governmental Funds	Waste Management	Internal Service Funds	
General Fund	\$ --	\$ --	\$ 2,559	\$ 97,844	\$ 10	\$ 5,828	\$ 106,241
Flood Control District	2,707	--	--	261	--	788	3,756
Other Public Protection	22,677	--	--	3,613	--	346	26,636
Mental Health Services Act	178,348	--	--	--	--	--	178,348
Other Governmental Funds	166,456	50	600	18,815	60	1,675	187,656
Waste Management	10,756	--	--	--	--	--	10,756
Compressed Natural Gas	--	81	--	--	--	--	81
Internal Service Funds	110	215	--	--	--	12	337
Total	<u>\$ 381,054</u>	<u>\$ 346</u>	<u>\$ 3,159</u>	<u>\$ 120,533</u>	<u>\$ 70</u>	<u>\$ 8,649</u>	<u>\$ 513,811</u>

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

9. INTERFUND TRANSFERS (Continued)

(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

- \$37,611 was transferred to Other Governmental Funds for various capital projects including, the Year-Round Emergency Shelter and Multi Service Center, and the Civic Center Facilities Master Plan.
- \$17,102 was transferred to Other Governmental Funds to finance the County's 60% share of the Social Services Agency Wraparound Program.
- \$14,966 was transferred to Other Governmental Funds in connection with debt service payments for various County debt issues.
- \$9,006 was transferred to Other Governmental Funds to reimburse expenditures for Sheriff-Coroner construction and facility development projects.
- \$4,856 was transferred to Other Governmental Funds for data systems development projects including the Property Tax System Re-platforming project.
- \$4,738 was transferred to Internal Service Funds primarily for the purchase of Sheriff-Coroner vehicles.
- \$3,000 was transferred to Other Governmental Funds for the maintenance and repair of various Probation Criminal Justice Facilities.
- \$2,530 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.

From Flood Control District

- \$2,707 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- \$10,836 was transferred to the General Fund to support the Sheriff-Coroner Department's operations.
- \$4,898 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).
- \$3,518 was transferred to the Other Governmental Funds for Sheriff-Coroner capital projects.
- \$2,961 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.
- \$2,739 was transferred to the General Fund to cover the shortfall of state and federal appropriations over department expenditures in Child Support Services.

From Mental Health Services Act

- \$178,348 was transferred to the General Fund for the reimbursement of qualifying Proposition 63 MHSA expenditures.

From Other Governmental Funds

- \$59,843 was transferred to the General Fund for the reimbursement of various County programs as follows:
 - \$48,635 for the Social Services Agency Wraparound Program
 - \$7,452 for Emergency Medical Services

9. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- \$3,756 for health disaster preparedness and the Center for Disease Control pandemic flu H1N1 costs
- \$33,096 was transferred to the General Fund for funding multi-year capital projects, including the Year-Round Emergency Shelter and Multi Service Center and HCA projects.
- \$26,754 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.
- \$16,413 was transferred within the Other Governmental Funds for reimbursement of costs related to the Central Utility Facility Infrastructure Upgrade project.
- \$14,322 was transferred to the General Fund for the surplus reserves transfer to the County from the 2005 Lease Revenue Refunding Bonds.
- \$4,982 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.
- \$2,396 was transferred to the Other Governmental Funds for reimbursement of debt service payments associated with parking facilities.

From Enterprise Funds

- \$2,556 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

- \$4,613 was transferred to Other Governmental Funds for the Central Utility Facility infrastructure upgrade project.

From Other Governmental Funds

- \$7,140 was transferred to the General Fund for the Year-Round Emergency Shelter and Multi Service Center.
- \$6,500 was transferred to the General Fund for the Property Tax Management System Re-platforming Project.
- \$5,888 was transferred to the General Fund for various information systems projects.
- \$3,883 was transferred to the General Fund for reimbursement of costs related to the Central Utility Facility Infrastructure Upgrade project.

From Enterprise Funds

- \$8,200 was transferred to the General Fund for County's portion of Waste Management's net importation revenue.

10. SHORT-TERM OBLIGATIONS

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 take advantage of the discount offered by the OCERS Board of Retirement to prepay the County's FY 2017-18 pension contribution. The 2017 POBs were issued as standard bonds, with five fixed-rate tranches, and 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. The County repaid in full the outstanding balance of the bonds on June 29, 2018.

Taxable Pension Obligation Bonds, 2018 Series A

On January 12, 2018, the County issued Taxable Pension Obligation Bonds, 2018 Series A (the 2018 POBs) in the principal amount of \$375,345. The 2018 POBs were issued in order to take advantage of the discount offered by the OCERS Board of Retirement to prepay the County's FY 2018-19 pension contribution. The 2018 POBs were issued as standard bonds, with four fixed-rate tranches, and a final maturity date of April 30, 2019. The obligation of the County to pay principal and interest on the 2018 POBs is imposed by law and is absolute and unconditional. As of June 30, 2018, the outstanding principal amount of the 2018 POBs reported in the General Fund was \$375,345. Refer to Note 4, Deposits and Investments and Note 18, Retirement Plans for additional information.

Description	Balance July 1, 2017	Issuances & Discount/ Premium Amortization	Retirements	Balance June 30, 2018	Amounts Due within One Year
County of Orange					
<u>Taxable Pension Obligation</u>					
<u>Bonds, 2017 Series A</u>					
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)	\$ --	\$ --
County of Orange					
<u>Taxable Pension Obligation</u>					
<u>Bonds, 2018 Series A</u>					
Date Issued: January 12, 2018					
Interest Rate: 1.881% to 2.253%					
Original Amount: \$375,345					
Maturing in installments through April 30, 2019	--	375,345	--	375,345	375,345
Total	<u>\$ 375,540</u>	<u>\$ 375,345</u>	<u>\$ (375,540)</u>	<u>\$ 375,345</u>	<u>\$ 375,345</u>

11. LONG-TERM OBLIGATIONS

General Bonded Debt

General Obligation Bonded Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25% of the last equalized assessment property tax roll. At June 30, 2018, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$7,045,776. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, Section 1 requires the approval of 2/3 of the voters voting on the proposition.

Bankruptcy Obligations

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, 2018, the Series 2005 Bonds were fully redeemed.

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, 2018, the outstanding principal amount, interest accretion, and unaccreted interest of the Refunding COPs were \$392, \$2,033 and \$174, 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, 2018, the Series 2006 Bonds were fully redeemed.

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, 2018, the outstanding principal amount, including the premium of the Series 2012 Bonds, and interest were \$5,861 and \$252, respectively.

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

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

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 County and to pay costs relating to the issuance of the bonds. As of June 30, 2018, the outstanding principal amount, including the premium of the Series 2016 Bonds, and interest were \$64,087 and \$28,265, 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 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 continues to be reported in the County's financial statements until it is fully redeemed. As of June 30, 2018, the outstanding principal amount, interest accretion, and unaccreted interest of the Series 1997A Pension Obligation Bonds were \$8,217, \$34,553, and \$5,772, respectively.

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

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

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

construction of Terminal C, Parking Structure C and two commuter/regional holdrooms at the north and south ends of the extended Terminal. For the year ended June 30, 2018, the total interest expense incurred and the amount included as part of the cost of capital assets under construction were \$7,841 and \$4,715, respectively. As of June 30, 2018, the outstanding principal amount, including net discount, of the 2009A and 2009B Bonds were \$56,435 and \$95,764, respectively, and the outstanding interest amounts were \$36,402 and \$41,693, respectively. The 2009B Bonds, in the amount of \$27,210, were called for early partial redemption on July 1, 2017

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, 2018, \$6,205 of legally defeased debt remains outstanding.

Fiscal Year 2017-18 Debt Obligation Activity

During FY 2017-18, the following events concerning County debt obligations occurred:

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 will be 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.

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.

On July 12, 2017, the County converted its tax exempt Teeter Plan Obligation Notes, Series B to taxable notes to retire the outstanding Teeter balance of \$27,868, and finance the purchase of \$30,621 for the delinquent

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2017-18 Debt Obligation Activity (Continued)

Teeter Plan Notes (Continued)

property tax receivables associated with the Teeter Plan. Proceeds of this issuance associated with the purchase of delinquent property tax receivables paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The new Notes have a maturity date of July 31, 2018.

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

For additional information regarding the Teeter Plan Notes, refer to Note 21, Subsequent Events.

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2017-18

The table below summarizes the revenue bonds and certificates of participation outstanding and related activity for the year ended June 30, 2018.

Description	Balance July 1, 2017	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2018	Amounts Due within One Year
<u>Governmental Activities:</u>						
<u>Orange County Public Financing Authority</u>						
<u>Lease Revenue Refunding Bonds, Series 2005</u>						
Date Issued: August 16, 2005 to Refund and						
Defease the 1996 Recovery Certificates of						
Participation - Series 1996A						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$419,755						
FY 2017-18 Principal and Interest: \$5,725						
FY 2017-18 Total Pledged Revenues: \$6						
Maturing in installments through July 1, 2017						
	\$ 6,038	\$ (448)	\$ --	\$ (5,590)	\$ --	\$ --
<u>Orange County Public Facilities Corporation,</u>						
<u>Refunding Certificates of Participation</u>						
<u>(Civic Center Parking Facilities Project)</u>						
Date Issued: August 1, 1991 - Current Interest						
Rate Bonds (CIB) and Capital Appreciation						
Bonds (CAB) to Refund the 1987 COPs Bond Issue						
Interest Rate: CIB - 4.40% to 6.75%						
Interest Rate: CAB - 6.85% to 7.05%						
Original Amount: CIB - \$24,495						
Original Amount: CAB - \$9,084						
FY 2017-18 Principal and Interest: \$2,598						
FY 2017-18 Total Pledged Revenues: \$2,423						
Maturing in Installments Through December 1, 2018						
	811	--	--	(419)	392	392
Interest Accretion on CAB						
	3,876	--	336	(2,179)	2,033	2,209
<u>Orange County Public Financing Authority</u>						
<u>Lease Revenue Bonds, Series 2006</u>						
Date Issued: October 19, 2006						
Interest Rate: 4.00% to 5.00%						
Original Amount: \$32,700						
FY 2017-18 Principal and Interest: \$4,200						
FY 2017-18 Total Pledged Revenues: \$2,460						
Maturing in installments through June 1, 2018						
	4,396	(396)	--	(4,000)	--	--
<u>South Orange County Public Financing Authority</u>						
<u>Juvenile Justice Center Facility Lease Revenue</u>						
<u>Refunding Bonds - Series 2012</u>						
Date Issued: April 25, 2012 to refund the 2002 Juvenile						
Justice Center Bonds issue						
Interest Rate: 1.00% to 5.00%						
Original Amount: \$34,380						
FY 2017-18 Principal and Interest: \$5,827						
FY 2017-18 Total Pledged Revenues: \$5,835						
Maturing in installments through June 1, 2019						
	11,893	(697)	--	(5,335)	5,861	5,861

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2017-18 (Continued)

Description	Balance July 1, 2017	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2018	Amounts Due within One Year
<u>Governmental Activities (Continued):</u>						
<u>South Orange County Public Financing Authority</u>						
<u>Central Utility Facility Lease Revenue Bonds</u>						
<u>Series 2016</u>						
Date Issued: June 2, 2016						
Interest Rate: 3.00% to 5.00%						
Original Amount: \$56,565						
FY 2017-18 Principal and Interest: \$4,490						
FY 2017-18 Total Pledged Revenues: \$4,654						
Maturing in installments through April 1, 2036	\$ 66,025	\$ (108)	\$ --	\$ (1,830)	\$ 64,087	\$ 2,062
<u>County of Orange</u>						
<u>Taxable Refunding Pension</u>						
<u>Obligation Bonds - Series 1997 A:</u>						
Date Issued: January 1, 1997 - Current Interest						
Rate Bonds (CIB)						
Date Issued: January 14, 1997 - Capital Appreciation						
Bonds (CAB)						
To Refund the Taxable POBs Series 1994 A						
Interest Rate: CIB - 5.71% to 7.36%						
Interest Rate: CAB - 7.33% to 7.96%						
Original Amount: CIB - \$71,605						
Original Amount: CAB - \$65,318						
Maturing in installments through September 1,						
2010 (CIB) and September 1, 2021 (CAB)	11,220	--	--	(3,003)	8,217	2,772
Interest Accretion on CAB	42,765	--	3,785	(11,997)	34,553	12,228
<u>County of Orange</u>						
<u>Teeter Plan Notes</u>						
Date Issued: January 29, 2016						
Interest Rate: SIFMA Index + 0.58%						
Original Amount: \$40,387						
FY 2017-18 Principal and Interest: \$27,878						
Maturing on July 31, 2018	27,868	--	--	(27,868)	--	--
Date Issued: July 12, 2017						
Interest Rate: 1 month LIBOR + 50 basis points						
Original Amount: \$58,489						
FY 2017-18 Principal and Interest: \$32,337						
FY 2017-18 Total Pledged Revenues: \$11,210						
Maturing on July 31, 2018	--	58,489	--	(31,242)	27,247	27,247
Subtotal - Governmental Activities	<u>174,892</u>	<u>56,840</u>	<u>4,121</u>	<u>(93,463)</u>	<u>142,390</u>	<u>52,771</u>
<u>Business-Type Activities:</u>						
<u>Airport Revenue Bonds -</u>						
<u>Series 2009A and 2009B:</u>						
Date Issued: July 9, 2009						
Interest Rate: 3.00% to 5.75%						
Original Amount: \$233,115						
FY 2017-18 Principal and Interest: \$43,935						
FY 2017-18 Total Pledged Revenues: \$54,760						
Maturing in Installments Through July 1, 2039	187,318	(29)	--	(35,090)	152,199	8,271
Subtotal - Business-Type Activities	<u>187,318</u>	<u>(29)</u>	<u>--</u>	<u>(35,090)</u>	<u>152,199</u>	<u>8,271</u>
Total	<u>\$ 362,210</u>	<u>\$ 56,811</u>	<u>\$ 4,121</u>	<u>\$ (128,553)</u>	<u>\$ 294,589</u>	<u>\$ 61,042</u>

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

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

Fiscal Year(s) Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 37,341	\$ 17,338	\$ 8,275	\$ 7,683	\$ 70,637
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	2,265	2,221	6,215	5,965	16,666
2024-2028	13,155	9,289	44,200	23,851	90,495
2029-2033	16,785	5,654	31,365	12,864	66,668
2034-2038	12,218	1,242	25,060	6,604	45,124
2039-2040	--	--	12,054	641	12,695
Total	93,401	71,113	154,449	78,095	397,058
Add: Premium/(Discount)	12,403	--	(2,250)	--	10,153
Add: Interest Accretion on CAB	36,586	--	--	--	36,586
Total	\$ 142,390	\$ 71,113	\$ 152,199	\$ 78,095	\$ 443,797

Changes in Long-Term Liabilities

Long-term liability activities, for the year ended June 30, 2018, were as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within One Year
Governmental Activities:					
Bonds, COPs and Notes Payable:					
Revenue Bonds	\$ 74,300	\$ --	\$ (16,755)	\$ 57,545	\$ 6,930
Certificates of Participation	811	--	(419)	392	392
Pension Obligation Bonds	11,220	--	(3,003)	8,217	2,772
Teeter Plan Notes	27,868	58,489	(59,110)	27,247	27,247
Add: Premium/(Discount) on Bonds Payable	14,052	--	(1,649)	12,403	993
Total Bonds, COPs, and Notes Payable, Net	128,251	58,489	(80,936)	105,804	38,334
Interest Accretion on CAB	46,641	4,121	(14,176)	36,586	14,437
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	186,606	168,427	(172,140)	182,893	101,739
Arbitrage Rebate Payable	365	--	(365)	--	--
Capital Lease Obligations Payable	55,831	47	(12,709)	43,169	6,462
Insurance Claims Payable	202,171	117,824	(116,236)	203,759	55,348
SARI Line Loans	23,900	--	(23,900)	--	--
Civic Center Facilities Master Plan Financing	175,340	--	--	175,340	--
Estimated Liability - Litigation and Claims	112,400	--	(57,400)	55,000	55,000
Intangible Assets Obligations Payable	1,823	812	(783)	1,852	689
Total Other Long-Term Liabilities	758,436	287,110	(383,533)	662,013	219,238
Total Long-Term Liabilities *					
For Governmental Activities	\$ 933,328	\$ 349,720	\$ (478,645)	\$ 804,403	\$ 272,009

* The total long-term liabilities do not include Net Pension Liability or Net OPEB Liability. Refer to Note 18 for additional information on the Net Pension Liability and Note 19 for the Net OPEB Liability.

11. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 189,539	\$ --	\$ (35,090)	\$ 154,449	\$ 8,275
Less: (Discount) on Bonds Payable	(2,221)	(29)	--	(2,250)	(4)
Total Bonds Payable, Net	187,318	(29)	(35,090)	152,199	8,271
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,661	4,220	(4,422)	4,459	2,364
Landfill Site Closure/Postclosure Liabilities *	158,481	10,868	(3,363)	165,986	3,363
Pollution Remediation Obligation **	16,684	5,677	(1,810)	20,551	766
Intangible Assets Obligations Payable	154	7	(100)	61	57
Total Other Long-Term Liabilities	179,980	20,772	(9,695)	191,057	6,550
Total Long-Term Liabilities ***					
For Business-Type Activities	\$ 367,298	\$ 20,743	\$ (44,785)	\$ 343,256	\$ 14,821

* Refer to Note 14 for additional information regarding the increase in Landfill Site Closure/Post Closure Liabilities.

** Refer to Note 17 for additional information regarding the increase in Pollution Remediation Obligation.

*** The total long-term liabilities do not include Net Pension Liability or Net OPEB Liability. Refer to Note 18 for additional information on the Net Pension Liability and Note 19 for Net OPEB Liability.

Compensated Employee Absences

The estimated compensated employee absences payable recorded at June 30, 2018 is \$187,352. 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

11. LONG-TERM OBLIGATIONS (Continued)

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

(YLS) was completed and the total amount paid to the contractor was \$8,314. Construction of the SARI Mainline was completed on August 17, 2015 and the total amount paid to the contractor was \$42,014.

Due to binding arbitration as a result of the contractor's claim, an additional payment was made to the YLS contractor in the amount of \$579 for a total payment of \$8,893. Likewise, due to mediation settlement as a result of the contractor's claim, an additional payment was made to the SARI Mainline contractor in the amount of \$3,002 for a total payment of \$45,016. As of June 30, 2018, the total outstanding loan principals have been fully repaid. In addition to the principal, SAWPA is also entitled to all interest earned on their loan deposit per the financing agreement. The earned interest in the total amount of \$59 will be remitted to SAWPA.

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 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. 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 conclude 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.

<u>Fiscal Year(s) Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,090	6,888	9,978
2024-2028	17,940	31,962	49,902
2029-2033	22,895	27,006	49,901
2034-2038	29,215	20,681	49,896
2039-2043	37,290	12,609	49,899
2044-2047	36,220	3,691	39,911
Total	152,400	131,401	283,801
Add: Premium	22,940	--	22,940
Total	\$ 175,340	\$ 131,401	\$ 306,741

11. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds

Special Assessment District Bonds consist of Assessment District Bonds and Community Facilities District Bonds.

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular County tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property owners within each district. Accordingly, such obligations are not included in the accompanying basic financial statements.

Community Facilities District Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from a portion of certain special taxes to be levied on property within the boundaries of the Community Facilities District. Except for the special taxes, no other taxes are pledged to the payment of the bonds. The bonds are not general or special obligations of the County nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the special tax fund. Accordingly, such obligations are not included in the accompanying basic financial statements.

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt, related transactions are reflected in Agency Departmental Funds. Major capital outlay expenditures relating to these bonds are accounted for in the "Service Areas, Lighting Maintenance and Assessment Districts" Special Revenue Fund. Special assessment district and community facilities district bonds outstanding as of June 30, 2018, amounted to \$519,115.

Orange County Vehicle License Fees (VLF)

On September 27, 2013, Assembly Bill (AB) 701 was signed to resolve the dispute between the State and the County which required the County to repay \$150,000 to the State. The \$150,000 due to the State was formally set aside. Repayment of this was allowed over five years. As of June 30, 2018, the remaining obligation to the State is \$55,000, formally set aside in reserve in the FY 2013-14 First Quarter Budget. For additional information regarding the VLF, refer to Management's Discussion and Analysis.

12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

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

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

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

As of June 30, 2018, there were 18 series of bonds outstanding with an aggregate principal amount payable of \$155,073.

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

Orange County Development Agency (OCDA) Successor Agency Bond Debt

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The Neighborhood Development and Preservation Project (NDAPP) and Santa Ana Heights Project (SAHP) Refunding Bonds debt service obligations for FY 2017-18 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, 2018, the outstanding principal amount, including the premium of the OCDA Successor Agency bonds and remaining interest were \$22,247 and \$2,564, respectively.

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

13. LEASES

Operating Leases

The County is committed under various operating leases, primarily for office buildings, office equipment and other equipment. The following is a schedule of future minimum payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2018:

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2019	\$ 1,674	\$ 28,019	\$ 29,693
2020	120	27,270	27,390
2021	47	27,279	27,326
2022	13	23,401	23,414
2023	2	20,681	20,683
2024-2028	6	72,775	72,781
2029-2033	—	14,820	14,820
Total	<u>\$ 1,862</u>	<u>\$ 214,245</u>	<u>\$ 216,107</u>

Total expenditures for equipment rentals and building and improvements incurred for FY 2017-18 was \$59,644.

The following is a schedule of property the County has leased under capital leases at June 30, 2018:

Land	\$ 14,831
Equipment	27,974
Less: Accumulated Depreciation	(8,958)
Structures & Improvements	64,180
Less: Accumulated Depreciation	(37,948)
Total	<u>\$ 60,079</u>

13. LEASES (Continued)

Capital Leases

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, 2018:

<u>Fiscal Year Ending June 30</u>		
2019	\$	9,431
2020		9,554
2021		8,606
2022		6,993
2023		7,147
2024-2027		12,888
Total Minimum Lease Payments		54,619
Less: Amount Representing Interest		(11,450)
Present Value of Net Minimum Lease Payments	\$	43,169

14. 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, 2018 was \$165,986. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (34.81% for FRB, 81.65% for Olinda Alpha and 20.92% 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 \$180,592 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017 dollars (using the 2017 inflation factor of 1.018). Waste Management estimates that it 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

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

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, 2018, a total of \$92,035 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Funds Statement of Net Position as Restricted Pooled Cash and Investments-Closure and Postclosure Care Costs.

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 17, Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. Depending on the source(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. In accordance with GASB Statement No. 54, the County's total significant encumbrances for governmental funds in the aggregate are reported at June 30, 2018, as follows:

General Fund	\$	50,702
Flood Control District		70,122
Other Public Protection		1,380
Other Governmental Funds		76,839
Total Encumbrances for Governmental Funds	\$	<u>199,043</u>

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments

At June 30, 2018, the County's total commitments for major contracts entered into for equipment, land and structures and improvements were as follows, listed by fund within governmental or business-type activities:

Project Title	Significant Commitments
Governmental Activities:	
General Fund	
Property Tax System Re-platforming Project	\$ 3,692
Video Management and System Upgrade	1,378
Year-Round Emergency Shelter and Multi Service Center	1,325
	<u>6,395</u>
Flood Control District	
Fullerton Creek Channel, D/S Western Ave to U/S Beach Blvd Improvement Project	21,647
San Juan Creek Channel Phase IV-3700' to 6100' U/S Stonehill Dr	9,399
Lane Channel-U/S Jamboree Rd to D/S Main St Phase 1	6,792
San Diego Creek Sediment Removal I-405 Project	4,379
Santa Ana River Dredging Project PCH to Upstream Adams Ave	2,488
Santa Ana River Interceptor Line Construction	2,421
Barranca Channel Project	2,213
Santa Ana River Parkway Extension	1,125
	<u>50,464</u>
Other Governmental Funds	
Civic Center Facilities Master Plan	110,869
Edinger Avenue Bridge Replacement Over Bolsa Chica Channel	7,952
Live Oak Canyon Road, El Toro/Santiago Canyon Rd to O'Neill	3,145
Replace Air Handlers at Central Men's Jail, Central Women's Jail and Headquarters	2,537
Dana Point Harbor Revitalization	2,447
Aliso Wood Canyon Visitor Center	1,452
Theo Lacy Jail Industrial Garbage Grinder	1,388
Santa Ana Parkway	1,141
Laguna Canyon Road Segment 4, Phase 2 to 4	1,126
Juvenile Hall Multipurpose Rehabilitation Center	1,117
La Pata Avenue Gap Closure/Widening, Phase I & II	1,017
	<u>134,191</u>
Internal Service Funds	
Purchase of Various Vehicles	5,894
	<u>5,894</u>
Business-Type Activities:	
Airport	
Parking Structure C, Phase 2	2,652
Terminal Improvements	2,139
Taxiway "B" Rehabilitation	1,518
	<u>6,309</u>
Waste Management	
Olinda Front Slope Improvement Project Phase 2	8,090
Frank R. Bowerman Landfill Soil Buttress and Liner Construction Project	7,750
Prima Zone 1 Mass Excavation	4,844
	<u>20,684</u>
Total Commitments	<u>\$ 223,937</u>

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

In addition, the County is involved in the Santa Ana River Mainstem Project (SARMP). The SARMP is a major flood control project implemented and funded by the Federal government and three local sponsors—the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project (Project), which is being implemented and funded by the Federal Government and the OCFCD through a separate Project Cooperation Agreement (PCA). The purpose of the SARMP is to prevent devastating damage caused by large-scale flooding of the Santa Ana River flood plain. When the SARMP was initiated in 1989, the U.S. Army Corps of Engineers (COE) considered this flood plain to constitute the worst flood threat west of the Mississippi River as to potential impacts to population and property. The Project involves a combination of flood channel improvements and constructing new channels in Orange, San Bernardino, and Riverside counties, construction of the Seven Oaks Dam in San Bernardino County, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation-related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is \$2,463,400. OCFCD's combined cost share is estimated to be \$786,633 for the entire Santa Ana River Project. As of June 30, 2018, the OCFCD has expended about \$641,855 on the entire Santa Ana River Project.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino, and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) and construction to raise the Prado Dam embankments and install new outlet gates is complete. Landscaping along the Santa Ana River in Orange County was completed in May 2010. Design for the construction of interior dikes in the Prado Dam reservoir, and for improvements and protection of SR-91 in the Santa Ana River canyon are also ongoing. The COE completed construction of National Housing Tract Dike and Sewage Treatment Plant in 2008. Landscaping for these dikes began in September 2009 and were completed in June 2011. Several environmental mitigation studies and restoration/preservation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam and along the lower Santa Ana River in Orange County up to Weir Canyon Road are completed. The Green River Golf Course was acquired in September 2006. This property is required for construction of protection along SR-91 and nearby mobile homes, open space/recreation mitigation, and to accommodate increased flooding when the Prado Dam outlet gates are constructed and operational. The first phase of SR-91 protection (Reach 9 Phase 2B Project) was completed in September 2014. The second phase (Reach 9 Phase 3) started construction in January 2014 and was completed in March 2015. As continuation to the ongoing Reach 9 Project, the COE determined that bank improvements needed to continue east on the south side of the Santa Ana River along SR-91. As such, the Reach 9 Phase 4 Project was developed and the project was awarded on April 13, 2016 at an estimated cost of \$15,300. Completion of the Reach 9, Phase 4 Project is expected to occur in January 2019. The COE is also constructing bank improvements on the north side of the Santa Ana River adjacent to La Palma Avenue from Weir Canyon Road to the railroad (Reach 9 Phase 5A and Phase 5B). Phase 5A was awarded on September 28, 2015 at a cost of \$22,500 and is expected to be completed in January 2019. The construction contract for Phase 5B was awarded in September 2016 with an estimated cost of \$25,500 and expected to be completed in July 2020. The OCFCD awarded the construction contract on August 9, 2011 for the four miles of Santa Ana River Interceptor Line (SARI) relocation project, which was completed by August 2014. Phase I of the Auxiliary Embankment (an extension of Prado Dam) was completed in September 2012 and the earliest date for construction of Phase II would be November 2018. A contract for the construction of the Yorba-Slaughter Adobe Dike was awarded in December of 2012 at a cost of \$6,000 and was substantially completed in August 2017. The Women's Prison Dike (to protect the California Institute of Women) was awarded September 2014 for \$12,700 and a \$3,400 modification which was awarded in August 2015. This feature was substantially completed April of 2016. The OCFCD continues to acquire property rights for the Prado Dam Project, subject to the availability of funding.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Construction Commitments (Continued)

The project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). As of June 30, 2018, OCFCD has submitted \$427,362 in claims, and received \$385,929 in reimbursements. An additional \$2,324 in claims is in the process of being prepared for submittal to the DWR.

Of the total amount outstanding, \$3,752 was accrued as revenue, and \$32,088 was reported as deferred inflows of resources at the fund level and recognized as revenue in the government-wide financial statements. Once a claim is reviewed and approved by DWR, 90% of the eligible expenditures can be paid, subject to available funding, with the remaining 10% paid after an audit by the State Controller's Office.

16. SELF-INSURANCE

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

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

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Excess liability insurance provides up to an additional \$100,000 in liability coverage. There were no losses that impacted the County's excess insurance coverage for the last three fiscal years.

Independent actuarial studies are prepared annually for the Workers' Compensation and Property and Casualty Risk ISFs. The reported unpaid claims liabilities are based on the results of those annual actuarial studies and include case reserves, development of known claims, incurred but not reported claims, allocated loss adjustment expenses and unallocated loss adjustment expenses. Unpaid claims liabilities are calculated considering inflation, claims cost trends, including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Unpaid claims liabilities have been discounted at a rate of 3.50% in the Workers' Compensation ISF and 2.50% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings.

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

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

16. SELF-INSURANCE (Continued)

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

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

	Workers' Compensation	Property & Casualty Risk	Unemployment Insurance	Health & Other Self-Insured Employee Benefits	Total
Unpaid Claims, Beginning of FY 2016-17	\$ 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
Claims and Changes in Estimates	40,568	12,802	848	63,606	117,824
Claim Payments	(36,007)	(15,777)	(969)	(63,483)	(116,236)
Unpaid Claims, End of FY 2017-18	<u>\$ 150,195</u>	<u>\$ 40,087</u>	<u>\$ 801</u>	<u>\$ 12,676</u>	<u>\$ 203,759</u>

17. POLLUTION REMEDIATION

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," requires state and local governments to disclose to the public information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation. The County has identified several environmental sites at the Airport and 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 Waste Management.

John Wayne Airport (Airport)

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

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

The Airport started implementing the new remediation method in the fiscal year ended June 30, 2011. Following a remedial pilot test, the Airport has been performing monthly free-product removal at the Old Fuel Farm and performing annual groundwater monitoring at both sites. Active remediation has been delayed pending further guidance from the RWQCB, which could possibly affect the estimated pollution remediation liability as well as cause changes to the remedial technologies used to remediate the sites. As of June 30, 2018, the Airport has a

17. **POLLUTION REMEDIATION (Continued)**

John Wayne Airport (Airport) (Continued)

liability of \$994 based on management's assessment and the results of the consultant's evaluation of potential remediation costs. The liability is not expected to decrease any further until active remediation begins or a closure plan is accepted by the RWQCB.

In 1995, the Airport entered into a Memorandum of Understanding (MOU) with one of its fixed-base operator (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. Reported in the Proprietary Funds Statement of Net Position as part of accounts receivable, the total expected recovery for the Old Fuel Farm site is \$256 as of June 30, 2018.

The estimated pollution remediation obligation as of June 30, 2018, is:

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

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, 2018, after deducting actual pollution remediation expenses incurred during fiscal year 2018, is \$19,557.

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

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

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length the wastes have been buried and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years from beginning of the obligation date. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$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 owner requiring them to remedy the landfill gas exceedances and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with CEO Risk Management. The County entered into a

17. POLLUTION REMEDIATION (Continued)

Waste Management (Continued)

Lane Road Former Refuse Disposal Station (Continued)

Settlement Agreement with the property owner in 2005. Per terms of that Settlement Agreement, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years from beginning of the obligation date, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the carbon canisters needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is estimated at \$286. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$1,930.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine, was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the U.S. Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with the University that was approved by the Board in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system, including a carbon treatment element.

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years from beginning of the obligation date. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is estimated at \$118. The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$567.

La Veta Former Refuse Disposal Station 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. In 2006, 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 indicate that further site assessment is warranted.

DTSC requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County conducted a series of additional site investigations and assessments. Based on the findings of the site investigations, 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, 2018.

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).

17. **POLLUTION REMEDIATION (Continued)**

Waste Management (Continued)

La Veta Former Refuse Disposal Station (Continued)

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 County has acquired a single-family residence for the amount of \$828 with remaining obligation of \$32 for relocation costs. The County will retain responsibility for any required monitoring for the property. Monitoring may be required for up to 25 years from the date of acquisition.

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

The entire sum is anticipated to be released within five (5) years from the approval of the project grading permits, but is dependent upon actions by the owner and regulatory approvals for the project. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones, but due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations as of June 30, 2018.

The remaining balance for landfill gas remediation at the Forster site is \$7,500 as of June 30, 2018. Distribution of these funds will occur over time based on specific milestones in the development of the site.

Yorba Refuse Disposal Station The site, located in Orange, California, was owned and operated as a solid waste disposal site by the County. After disposal operations ceased, the site was sold to Orange for use as a city park. Park deed restrictions were later lifted from the property at the request of the city, which then began investigation into some form of commercial application or development at the site. In 2010, the Orange Redevelopment Agency filed suit against Orange. The Complaint alleged various causes of action, including those for private nuisance, public nuisance, dangerous condition of property and statutory contributions for hazardous substances, and a Porter-Cologne contribution and for Polanco Redevelopment Act cost recovery. The relief sought is for unknown costs and damages. In turn, Orange filed a cross-complaint against the County. The causes of action alleged include indemnity and/or contribution, declaratory relief, hazardous substance account act indemnity and remedies under the Porter-Cologne Act.

Orange and the County entered into negotiations to resolve the issues brought forth by Orange. The negotiations resulted in a settlement agreement and release of claims executed on November 5, 2015. This settlement agreement and release of claims provides a remedy for the differential settlement or subsidence to

17. POLLUTION REMEDIATION (Continued)

Waste Management (Continued)

Yorba Refuse Disposal Station (Continued)

replace the irrigation system and for costs associated with site maintenance with monies paid for by the County. In addition, effective on the date of the agreement, the County assumed responsibility and ownership of the landfill gas control system at the site. In exchange, indemnification has been provided by Orange to the County. Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 30 years from beginning of the obligation date, then will most likely either no longer be required or will be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the first full year of operation when the system needed upgrades and relocation of critical equipment. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and due to anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next fiscal year of operation is estimated at \$357. The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$9,482 as of June 30, 2018.

The estimated pollution remediation obligation as of June 30, 2018 is:

Cannery	\$	46
Lane Road		1,930
San Joaquin		567
La Veta		32
Forster		7,500
Yorba		9,482
Waste Management Pollution Remediation Obligation	\$	<u>19,557</u>

18. RETIREMENT PLANS

The County of Orange participates in a number of pension plans. The OCERS plan and Extra-Help Defined Benefit plan are cost-sharing multiple-employer defined benefit pension plans. The County of Orange 401(a) and County of Orange 1.62% at 65 Retirement 401(a) plans are defined contribution plans. A summary of pension amounts for the County's defined benefit plans at June 30, 2018 is presented below:

	OCERS	Extra-Help Defined Benefit Plan	Total
Deferred Outflows of Resources Related to Pension	\$ 1,047,017	\$ 2	\$ 1,047,019
Net Pension Liability	3,984,401	1,962	3,986,363
Deferred Inflows of Resources Related to Pension	822,039	--	822,039
Pension Expense	413,552	481	414,033

Orange County Employees Retirement System (OCERS)

Plan Description: Substantially all County employees participate in OCERS, a cost-sharing multiple-employer public employee retirement system established by the voters of Orange County in 1945 pursuant to the County Employees Retirement Law of 1937, California Government Code Section 31451 et. seq. (the Retirement Law). OCERS is an independent defined-benefit retirement plan in which employees of the County, Orange County Superior Court, and employees of certain cities and special districts within the County participate. OCERS is governed by the Board of Retirement (the OCERS Board). Certain attributes of independence of OCERS are guaranteed under the California Constitution. The OCERS Board consists of nine regular members and one

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

alternate. Four OCERS Board members are appointed by the Board, three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is elected by registered voters in the County, serves as an Ex-Officio member.

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

The Retirement Law requires an actuarial valuation to be performed at least once every three years. OCERS' practice has been to conduct an actuarial valuation annually as of December 31, which is the end of the OCERS fiscal year.

OCERS operates as a cost-sharing multi-employer defined benefit pension plan for the County 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.

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

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

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General members who work for the County (approximately 14,000) became eligible for an enhanced annual annuity equal to a retirement benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General members, the employee associations agreed to pay the increased retirement costs related to the difference between the prior retirement benefit formulas and the new 2.7% at age 55 enhanced formula, as well as the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. Members of the American Federation

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Benefits Provided (Continued)

of State, County and Municipal Employees (AFSCME) did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. The benefit formulas for AFSCME are an annual annuity equal to 2% of the "final compensation" for each year of service rendered at age 57 for Tier I General members and 1.667% of the member's "final compensation" for each year of service rendered at age 57.5 for Tier II General members. Due to the passage of the Public Employees' Pension Reform Act (PEPRA) of 2013, most new employees hired on or after January 1, 2013, except for Safety members and members represented by AFSCME and the Orange County Attorneys Association (OCAA), will receive an annual annuity equal to a retirement benefit formula of 1.62% of the member's "final compensation" for each year of service rendered at age 65. The 1.62% at age 65 retirement formula includes a voluntary defined contribution component with an employer match.

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

Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 263 retirees (of which 255 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.

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

Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2017-18, employer's contributions for funding purpose, as a percentage of covered payrolls, were 34.70% for General members, 61.89% for Safety-Law Enforcement members and 44.97% for Safety-Probation members, as determined by the December 31, 2015, actuarial valuation. The County's total contribution to OCERS for the year ended June 30, 2018 was \$433,098.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2018, the County reported a liability of \$3,984,401 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability (TPL) used to calculate the net pension liability was determined using actuarial valuation results. At December 31, 2017, the County's proportion was 80.46%, which was an increase of 2.55% from its proportion measured as of December 31, 2016.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

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

For the year ended June 30, 2018, the County recognized pension expense of \$413,552. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ —	\$ 383,075
Differences Between Expected and Actual Experience in the Total Pension Liability	12,560	358,546
Changes of Assumptions or Other Inputs	578,940	80,270
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	19,733	148
County Contributions Subsequent to the Measurement Date	233,125	—
County Prepaid Pension Contribution	202,659	—
Total	<u>\$ 1,047,017</u>	<u>\$ 822,039</u>

\$233,125 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, 2019.

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 \$202,659 is recognized as deferred outflows of resources related to pension, and the other half will remain as a prepaid cost on the government-wide statement.

In September 1994, the County issued \$320,000 of pension obligation bonds, of which \$318,000 in proceeds were paid to OCERS. OCERS maintains the proceeds in a County Investment Account. Amounts in the County Investment Account have been used to fund a portion of the County's contributions over time, pursuant to agreements between OCERS and the County, which allows the County significant discretion in applying the credit. As of June 30, 2018, \$135,485 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, 2018, the County did not utilize funds available in the County Investment Account to meet its annual required contribution.

On January 12, 2018, the County issued its short-term Taxable Pension Obligation Bonds, 2018 Series A in the amount of \$375,345. Of the \$375,345 bond proceeds, \$375,242 was combined with \$30,077 in contributions from certain County departments to prepay the estimated FY 2018-19 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 4.50% discount or \$18,239 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$9,704 to the County. Refer to Note 4, Deposits and Investments, and Note 10, Short-term Obligations, for additional information.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

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

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

Year ending June 30:	
2019	\$ (23,504)
2020	(67,706)
2021	(146,692)
2022	(78,686)
2023	104,735
Thereafter	1,047

Actuarial Assumptions: The actuarial assumptions included a 2.75% inflation rate, 4.25% to 12.25% projected salary increases to general members and 4.75% to 17.25% to safety members, and a 7.00% (previously 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.

Discount Rate: The discount rate used to measure the total pension liability was 7.00%, the long-term expected rate of return on pension plan investments. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of investment expenses. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference is not material to the County's financial statements.

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

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

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Discount Rate (Continued)

Asset class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzaine/Distressed Debts	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	100.00%	

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$6,139,455	\$3,984,401	\$2,233,688

Pension Plan Fiduciary Net Position: OCERS issues an audited stand-alone annual financial report for each year ending December 31. Detailed information about the pension plan's fiduciary net position is available and can be obtained online at www.ocers.org, 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

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

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

18. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Plan Description (Continued)

The plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. This plan subsequently froze benefit accruals and stopped collecting employee contributions effective November 21, 2008. As of that date, the normal retirement benefit was changed to a single lump sum distribution equal to the greater of the participant's account balance or the present value of their normal retirement benefit. As of June 30, 2018, the plan consists of 26 active plan participants, 203 terminated plan participants entitled to but not yet receiving benefits, and 37 retirees receiving benefits.

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

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

Contributions: The County has the authority to determine plan contributions. GASB Statement No. 67 requires the County to have an actuarial valuation performed at least biennially to determine the plan's total pension liability. This valuation is currently performed biennially. The plan's total pension liability was calculated using the data as of July 1, 2017, rolled forward to June 30, 2018 using actual benefit payments for FY 2017-18. In both the 2017 valuation and the 2018 roll forward calculations the actuarial assets are valued at market value. Because plan benefits are frozen, the actuary has determined the County's actuarially determined contribution using the projected unit credit method and a 5-year rolling amortization of the Unfunded Actuarial Accrued Liability. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, the County and six (6) cost-sharing agencies have contributed \$7,017. For the year ended June 30, 2018, the County and six (6) cost-sharing agencies contributed \$545. The County's proportionate share of the contribution was \$535.

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, there is no normal cost due to the plan freeze.

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

Concentrations: The plan is invested 100% with Empower Retirement. The plan has stated its assets at fair value based on information provided by Empower Retirement.

Discount Rate: For the year ended June 30, 2018, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expense, was 4.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

18. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Discount Rate (Continued)

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

The long-term expected rate of return on plan investments was determined using a building-block method equal to the expected future real rate of return on the investment with Empower Retirement plus expected inflation, rounded to the nearest 0.25%. The target investment allocation is 33% equities and 67% fixed income. The best estimate of the long-term expected geometric real rate of return for the equities and fixed income (net of investment expense and inflation) are 4.53% U.S. equity, 4.60% non-U.S. equity, 1.47% U.S. fixed income, and 0.35% global fixed income.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pensions: The components of the collective net pension liability of the County and the six (6) cost-sharing agencies at June 30, 2018 were as follows:

Total Pension Liability	\$ 8,601
Plan's Fiduciary Net Position	<u>(6,602)</u>
Plan's Net Pension Liability	<u><u>\$ 1,999</u></u>

Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.76%
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The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to the measurement date of June 30, 2018. The County's proportionate share of the June 30, 2018 net pension liability is \$1,962. The County's proportion of 98.12% is based on an employer contribution allocation and has not changed since June 30, 2015.

For the year ended June 30, 2018, the County recognized pension expense of \$481. At June 30, 2018, the County reported deferred outflows of resources of \$2, which represents the aggregated net difference between projected and actual earnings on plan investments.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 2	\$ --
Total	<u><u>\$ 2</u></u>	<u><u>\$ --</u></u>

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

Year ended June 30:	
2019	\$ 28
2020	(1)
2021	(34)
2022	9

Actuarial Assumptions: The total pension liability based on the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) 2.75% inflation, (b) 5.25% investment return, (c) the 417(e) lump sum mortality table used for ERISA-governed plans and the 30-

18. **RETIREMENT PLANS (Continued)**

County Administered Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Actuarial Assumptions (Continued)

year Treasury rate with a look-back month of November grading into the long-term assumption of 4.75%, and (d) RPH-2014 Healthy Annuitant Mortality Table projected generationally with mortality improvement Scale MP-2016. This plan does not have a salary increase assumption or post-retirement benefit increase assumption as these factors do not impact the benefits of this frozen plan.

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

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Collective plan	\$2,293	\$1,999	\$1,754
County's proportionate share	\$2,250	\$1,962	\$1,721

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, 2018, there were 4,286 participants with a balance in the plan, with 4,107 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.

18. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Extra-Help Defined Contribution Plan (Continued)

Funding Policy: Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in the County's Stable Value Fund offered through Empower Retirement, which is designed to protect principal and maximize earnings. Empower Retirement serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. In the current fiscal year there was no additional contribution made by the County, and total employee contributions were \$841. As of June 30, 2018, total plan assets were \$7,982.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$125. Each month, participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the Plan.

County of Orange 401 (a) Defined Contribution Plan

Plan Description: Effective January 1, 1999, as amended and restated on March 24, 2015, the Board established the County 401(a) Plan for the benefit of eligible employees, elected officials, which includes members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered into the plan, attorneys represented by the Orange County Attorney's Association, and certain other employee classifications as defined in the plan document. The Board also has the authority to amend the plan. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and all grandfathered administrative managers effective June 23, 2016 and December 28, 2012, respectively. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2018, the plan had 657 participants with a balance in the plan, with 621 participants actively contributing to the plan as of the end of June payroll.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from 4% to 8% of bi-weekly compensation. Total contributions for the fiscal year as of June 30, 2018, were \$1,042 by the County and zero by the employees.

As previously described, Empower Retirement, a marketing name of Great-West Life and Annuity Insurance Company, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the County's Stable Value Fund upon initial enrollment, which is offered through Empower Retirement and designed to generate a stable yield while preserving the investor's principal. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2018, total plan assets were \$16,513.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%) which is capped for account balances at \$125. Each month participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

18. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

County of Orange - 1.62% at 65 Retirement

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

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

The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. Matching employer contributions are determined by the County and approved by the Board, as stipulated in the Participants' bargaining units Memorandum of Understanding (MOU) or Personnel and Salary Resolution, as applicable. Employer contributions vest on employees' behalf after five years of continuous service with the County. For the purposes of eligibility and vesting, year of service means a 12-consecutive-month period during which the employee completes at least 2,080 hours of service, exclusive of overtime. If the employee leaves employment with the County prior to the vesting period, the employee will only be entitled to the employee contributions to the plan.

Funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2018, the plan had 1,836 participants in the plan, with 1,826 participants actively contributing to the plan as of the end of June payroll.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2018, 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, 2018, were \$1,662 by the County and zero by the employees.

As previously described, Empower Retirement, a marketing name of Great-West Life and Annuity Insurance Company, serves on behalf of the County as the third party administrator of the plan. Contribution to the plan defaults to the age-appropriate target-date fund upon initial enrollment. Once enrolled, plan participants may self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2018, total plan assets were \$4,714.

Administrative Cost: There is an annual administrative fee of 0.18% charged to participants (at a monthly rate of 0.015%), which is capped for account balances at \$125. Each month participant fees are based on the average daily balance of their account(s) over a 30-day period and are reflected on participants' quarterly statements. No employer-level fees are charged for the plan.

18. RETIREMENT PLANS (Continued)

County Administered Plans (Continued)

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered retirement funds, condensed financial statements are presented below as of and for the fiscal year ended June 30, 2018:

Statement of Fiduciary Net Position

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Assets					
Pooled Cash/Investments	\$ 546	\$ 545	\$ --	\$ --	\$ 1
Restricted Cash and Investments					
Restricted Investments with Trustee	35,173	6,057	7,957	16,489	4,670
Due from Other Governmental Agencies	92	--	25	24	43
Total Assets	<u>35,811</u>	<u>6,602</u>	<u>7,982</u>	<u>16,513</u>	<u>4,714</u>
Net Position					
Restricted for Retirement Plans Benefits	35,811	6,602	7,982	16,513	4,714
Total Net Position	<u>\$ 35,811</u>	<u>\$ 6,602</u>	<u>\$ 7,982</u>	<u>\$ 16,513</u>	<u>\$ 4,714</u>

Statement of Changes in Fiduciary Net Position

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
Additions:					
Contributions to Pension Trust:					
Employer	\$ 3,249	\$ 545	\$ --	\$ 1,042	\$ 1,662
Employee	841	--	841	--	--
Other Revenues	3	3	--	--	--
Interest and Investment Income	1,928	295	164	1,180	289
Less: Investment Expense	(41)	(7)	(9)	(17)	(8)
Total Additions	<u>5,980</u>	<u>836</u>	<u>996</u>	<u>2,205</u>	<u>1,943</u>
Deductions:					
Benefits Paid to Participants	2,844	762	887	1,195	--
Total Deductions	<u>2,844</u>	<u>762</u>	<u>887</u>	<u>1,195</u>	<u>--</u>
Change in Net Position for Employees' Retirement	3,136	74	109	1,010	1,943
Net Position at Beginning of Year	32,675	6,528	7,873	15,503	2,771
Net Position at End of Year	<u>\$ 35,811</u>	<u>\$ 6,602</u>	<u>\$ 7,982</u>	<u>\$ 16,513</u>	<u>\$ 4,714</u>

19. POSTEMPLOYMENT HEALTH CARE BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a cost-sharing multiple-employer defined benefit OPEB plan, intended to assist career employees in maintaining health insurance coverage following retirement from County and participating employers' service. The Retiree Medical Plan was established by the Board. The Board is also the authority for amending the Retiree Medical Plan. The Retiree Medical Plan is not required by the County Employees Retirement Law of 1937 ("CERL")—the statute governing County employee retirement benefits. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan specifically states that it does not create any vested right to the benefits. The Plan is reported in the County's financial statements since it administers the Plan. The Plan is reported as of December 31, 2017.

Plan Membership: As of June 30, 2018, seven employers, the County, Orange County Public Law Library, Superior Courts of Orange County, Orange County Local Agency Formation Commission, Orange County Employees Retirement System, Children and Families Commission of Orange County, and Orange County Cemetery District have elected to participate in the plan. As of the most recent actuarial valuation date of June 30, 2017, the membership consisted of the following:

Inactive plan members currently receiving benefit payments	8,301
Inactive plan members entitled to but not yet receiving benefit payments	31
Active plan members	15,316
	<u>23,648</u>

Benefits Provided: In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County and/or participating employers' service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2017 was \$22.09 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$552.25 (absolute dollars). The base number for calendar year 2018 is \$22.75 (absolute dollars) per year of County service, and the maximum monthly Grant is \$568.75 (absolute dollars). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. In no case shall the Grant exceed the actual cost to a retiree for the Qualified Health Plan and Medicare premiums.

The plan was amended in 2007. Certain plan provisions were changed as of effective dates that varied by labor group. The Grant is reduced by 50% once the retiree becomes Medicare Parts A and B eligible. Retirees who were age 65 and/or Medicare Parts A and B eligible on the effective date are not subject to the Medicare reduction. For employees retiring after the effective date, the Grant is reduced or increased by 7.5% based on the employee's age at retirement, such that the Grant is reduced 7.5% for each year under age 60 and increased by 7.5% for each year of age worked after age 60 up to age 70. Safety employees and disability retirements are exempt from the age adjustment.

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

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Benefits Provided (Continued)

In addition to the Grant, the Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the Retiree Medical Plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Employees represented by AFSCME who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost.

Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Defined Contribution Plan Health Reimbursement Arrangement (HRA) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Association of County Law Enforcement Management (ACLEM) employees who were hired on or after June 19, 2009 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant calculations for ACLEM employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for law enforcement management employees were frozen as of June 23, 2006. A Defined Contribution Plan HRA was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees, except for employees represented by the AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired AOCDS and ACLEM employees enrolled in the AOCDS health plans must be 10% higher than active employees.

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

Contributions: The County implemented a policy to make an employer contribution in an amount equal to the Actuarially Determined Contribution (ADC) for the affected labor groups except AOCDS and ACLEM. In order to more adequately fund benefits under the Retiree Medical Plan, on June 19, 2007 the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay the Grant. The combined Trust and 401(h) represent the fiduciary net position of the Plan and are reported in the County's CAFR.

During the fiscal year ending June 30, 2018, the County was setting aside contributions of 0.4% of payroll for AFSCME, 0.4% for OCAA, 3.4% for AOCDS, 7.3% 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 estimated ADC for those groups calculated by an actuary. Additionally, AOCDS and ACLEM employees covered under the "3%@50" safety retirement formula contributed 1.6% of base pay.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Contributions (Continued)

For the Plan year ended December 31, 2017, the total Plan contributions were \$60,721. The County's contribution was \$55,158 (90.84%), Superior Court was \$5,052 (8.32%), OCERS was \$322 (0.53%), CFCOC was \$43 (0.07%), Law Library was \$55 (0.99%), Cemetery District was \$73 (0.12%), and LAFCO was \$18 (0.03%). The County's contributions for the fiscal year June 30, 2018 was \$46,005.

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

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: The components of the collective net OPEB liability of the participating employers as of June 30, 2018 were as follows:

Collective OPEB Liability	\$	694,598
Collective Plan's Fiduciary Net Position		(293,805)
Collective Net OPEB Liability	\$	<u>400,793</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		42.30%

At June 30, 2018, the County reported a liability of \$364,071 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and rolled forward for December 31, 2017. The County's proportion of the collective net OPEB liability was based on the 2017 share of actuarially determined contributions to the OPEB plan relative to the projected contributions of all participating employers. At December 31, 2017, the County's proportion was 90.84%, which did not change from December 31, 2016. Update procedures were used to roll forward the total OPEB liability from the actuarial valuation date to the measurement date.

For the year ended June 30, 2018, the County recognized OPEB expense of \$35,695. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual		
Earnings on Plan Investments	\$ --	\$ 12,368
Employer Contributions after Measurement Date	24,170	--
Total	<u>\$ 24,170</u>	<u>\$ 12,368</u>

Deferred outflow of resources of \$24,170 related to OPEB resulting from County's contributions subsequent to the measurement date will be included as a reduction of the collective net OPEB liability in the following fiscal year. Deferred inflows of resources of \$12,368 related to OPEB will be recognized in the County's OPEB expense as follows:

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

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

Year ending June 30:		
2019	\$	(3,092)
2020		(3,092)
2021		(3,092)
2022		(3,092)
Thereafter		--

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial valuations involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective.

Actuarial Methods and Assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017. The County contracts with an outside actuarial consultant to prepare a biennial actuarial valuation in conformance with GASB requirements and is based on established pattern of practice. The actuarial methods and significant actuarial assumptions used in the June 30, 2017 actuarial valuation are:

- The entry age normal actuarial cost method
- 7.00% long-term expected rate of return, net of investment expenses, on funds held in the Trusts
- 3.25% per annum payroll increase assumption
- 2.75% per annum general inflation rate assumption
- Assumed annual increases in the monthly grant of 3% for non-AFSCME employees and 5% for AFSCME employees. The healthcare trend was assumed to be greater than or equal to the annual increase to the Grant in almost all future years. Therefore, it is the Grant annual increase rather than the healthcare trend that has the largest impact on the projected benefits and the net OPEB liability.
- Grant participation rate was 81% based on the April 2006 participation study

Medical trend used for pre-Medicare members was 7.50% for 2019, decreasing to 4.00% for 2076 and later; for Medicare eligible members, 6.50% was used for 2019, decreasing to 4.00% for 2076 and later. Mortality rates were based on the Headcount-Weighted RP-2014 Mortality Tables with separate tables for males and females. Mortality improvement was projected fully generational with Society of Actuaries mortality improvement Scale MP-2016.

Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%, the long-term expected rate of return on plan assets, net of investment expenses. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current negotiated contribution rate and that the employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on actuarial assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Discount Rate (Continued)

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

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equities	35.00%	6.38%
Core Bonds	13.00%	1.03%
High Yield Bonds	4.00%	3.52%
Bank Loan	2.00%	2.86%
TIPS	4.00%	0.96%
Emerging Market Debt	4.00%	3.78%
Real Estate	10.00%	4.33%
Core Infrastructure	2.00%	5.48%
Natural Resources	10.00%	7.86%
Risk Mitigation	5.00%	4.66%
Mezzanine/Distressed Debt	3.00%	6.53%
Private Equity	8.00%	9.48%
Total	100.00%	
Assumed Long-Term Rate of Inflation		2.75%
Long-Term Expected Real Rate of Return, Net of Investment Expenses		7.00%

Rate of Return: For the year ended December 31, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For further information on the investment policy of OCERS refer to Note 4, Deposits and Investments.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability of the collective plan and the County's proportionate share, calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>Net OPEB Liability</u>			
Collective plan	\$484,856	\$400,793	\$330,533
County's proportionate share	\$440,432	\$364,071	\$300,248

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB liability of the collective plan and the County's proportionate share, as well as what they would be calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5%/5.5% decreasing to 3.0%) or 1-percentage-point higher (8.5%/7.5% decreasing to 5.0%) than the current healthcare cost trend rates:

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)

	1% Decrease (6.50%/5.50%)	Current Healthcare Cost Trend Rates (7.5%/6.5%)	1% Increase (8.50%/7.50%)
<u>Net OPEB Liability</u>	<u>decreasing to 3.00%</u>	<u>decreasing to 4.0%</u>	<u>decreasing to 5.00%</u>
Collective plan	\$389,673	\$400,793	\$412,101
County's proportionate share	\$353,970	\$364,071	\$374,343

OPEB Plan Fiduciary Net Position: As previously described, the 401(h) assets are held with OCERS. The underlying investments should be obtained from OCERS, however the combined Plan is in the County's financial statements. OCERS issues a Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on December 31, which includes the 401(h) assets. The CAFR can be obtained online at www.ocers.org by request, or in writing, to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a MOU agreement with the AOCDS. The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan Health Reimbursement Arrangement to replace the Retiree Medical Plan for new employees, and to supplement the current employees' frozen service hour accruals for the Grant.

On June 24, 2008, the Board approved the County of Orange Health Reimbursement Arrangement (HRA) Plan Document. The HRA Plan is not required by the Retirement Law. The plan is intended to fund the reimbursement accounts of eligible employees on a pre-tax basis and reimburse the eligible unreimbursed and substantiated qualified medical expenses of retired participants.

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

On May 12, 2015, the Board approved the restructuring of the Retiree Medical Plan and establishment of a Defined Contribution Plan HRA for employees represented by OCAA effective July 8, 2016. The HRA will replace the Retiree Medical Plan for all active attorney employees.

Administration of the HRA by the third party administrator began in August 2009. The HRA is intended to comply with the requirements of IRC Sections 105 and 106 and meets the requirements of a health reimbursement arrangement as defined under IRS Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under IRC Section 105(b). The HRA may be amended by the Board or the plan administrator to comply with federal, state, or local laws, statutes, regulations, or guidance from regulatory agencies. The Plan Document was amended and restated on January 1, 2011 to reflect changes to the definition of dependent due to healthcare reform.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

Plan Description (Continued)

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, 2018, the plan had 2,746 active and 726 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS, effective June 19, 2009 for employees represented by ACLEM, and effective July 8, 2016 for OCAA represented employees. All contributions made to the HRA are deemed to be employer contributions. Employee contributions for employees represented by each of the bargaining units are mandatory pursuant to their bargaining unit MOU and mandatory pursuant to Board action.

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 2.0% 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 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, 2018, the value of the HRA assets was \$116,713.

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.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered postemployment health care benefit trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2018:

<u>Statement of Fiduciary Net Position</u>		Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan
	Total		
<u>Assets</u>			
Pooled Cash/Investments	\$ 2,196	\$ 2,150	\$ 46
Restricted Cash and Investments			
Restricted Investments with Trustee	116,403	--	116,403
Pooled with OCERS	289,352	289,352	--
Investment Receivable	3,926	3,926	--
Interest/Dividend Receivable	24	24	--
Due from Other Governmental Agencies	1,676	1,412	264
Total Assets	<u>413,577</u>	<u>296,864</u>	<u>116,713</u>
<u>Liabilities</u>			
Salaries and Employee Benefits Payable	3,059	3,059	--
Total Liabilities	<u>3,059</u>	<u>3,059</u>	<u>--</u>
<u>Net Position</u>			
Restricted for OPEB Benefits	410,518	293,805	116,713
Total Net Position	<u>\$ 410,518</u>	<u>\$ 293,805</u>	<u>\$ 116,713</u>
<u>Statement of Changes in Fiduciary Net Position</u>		Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan
	Total		
Additions:			
Employer Contributions	\$ 72,139	\$ 60,721	\$ 11,418
Employee Contributions	2,193	2,193	--
Interest and Investment Income	43,453	34,217	9,236
Less: Investment Expense	(699)	(4)	(695)
Total Additions	<u>117,086</u>	<u>97,127</u>	<u>19,959</u>
Deductions:			
Benefits Paid to Participants	37,438	35,111	2,327
Administrative Expense	18	18	--
Total Deductions	<u>37,456</u>	<u>35,129</u>	<u>2,327</u>
Change in Net Position	79,630	61,998	17,632
Net Position - Beginning of Year, as Restated	330,888	231,807	99,081
Net Position - End of Year*	<u>\$ 410,518</u>	<u>\$ 293,805</u>	<u>\$ 116,713</u>

*The Trust Plan is presented as of 12/31/17 in accordance with the plan year.

20. CONTINGENCIES

Estimated Liability for Litigation and Claims

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, a liability has been accrued in the accompanying financial statements. Litigation where loss to the County is reasonably possible has not been accrued and at this time an estimate cannot be made. For information regarding claim payments and unpaid claims balance for self-insurance claims, refer to Note 16, Self-Insurance.

21. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2018:

Teeter Plan Notes: On July 16, 2018, the County issued an additional \$61,107 in taxable Teeter Plan Obligation Notes, Series B to refund the June 30, 2018 outstanding Teeter balance of \$27,247 and finance the purchase of \$33,860 for the delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance, associated with the purchase of delinquent property tax receivables, paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. The outstanding balance as of July 16, 2018, was \$61,107. For additional information regarding the Teeter Plan Series B Notes, refer to Note 11, Long-Term Obligations.

Dana Point Harbor Revitalization: On July 17, 2018, the Board approved the lease agreement with Dana Point Harbor Partners LLC (DPHP) and Dana Point Harbor Partners Drystack LLC. This lease, with a 66-year term, authorizes the lessees to renovate and operate Dana Point Harbor while paying the County a portion of gross receipts recognized by the lessees. The revenue to the County over the lease term is estimated at \$717,000 (see table below). The County will contribute \$20,000 towards the renovation of the Dana Point Harbor drystack boat storage area. DPHP will assume responsibility for an estimated \$414,000 of future County operations and maintenance costs over the lease period.

Projected Rent Per Development Component			
	Lease Year 1	Lease Years 1-25	Lease Years 1-66
Marina	\$ 1,642	\$ 60,513	\$ 345,600
Dry Storage	275	13,829	165,558
Affordable Hotel	198	6,614	78,987
Boutique Hotel	--	11,388	42,895
Retail	149	26,414	83,862
Total Rent	<u>\$ 2,264</u>	<u>\$ 118,758</u>	<u>\$ 716,902</u>

1997 Special Tax Bonds Pay-off: In connection with the issuance of the Series A of 1997 Special Tax Bonds (1997 Bonds) of the Community Facilities District No 87-4 (Foothill Ranch), the Treasurer purchased a Repurchase Agreement in the amount of \$1,082 for the bond reserve fund for the benefit of the owners of the 1997 Bonds pursuant to the Supplement to Board Resolution No. 97-230. On July 9, 2018, the County redeemed the Repurchase Agreement in full, and subsequently paid off the 1997 Bonds on August 15, 2018.

Standard & Poor's (S&P's) reaffirmation of "AAAm": On September 19, 2018, S&P reaffirmed its highest Principal Stability Fund Rating of AAAM on the OCMMF and the OCMMF.

Fitch Credit Rating Upgrade: On November 7, 2018, Fitch Ratings upgraded the County's Issuer Default Rating (IDR) to "AAA" from "AA+". At the same time, Fitch upgraded the Taxable Refunding Pension Obligation Bonds, Series 1997A to "AA+" from "AA" and the California Municipal Finance Authority (CMFA) Lease Revenue Bonds, Series 2017A (Orange County Civic Center Infrastructure Improvement Program – Phase I) to "AA+" from "AA".

21. SUBSEQUENT EVENTS (Continued)

Lease Revenue Bonds, Series 2018A: 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 Two activity spans from 2019 to 2022 and includes replacement of the existing Building 14 with new facilities, construction of a new Board hearing room, demolition of Buildings 10, 11, 12 and 14, and creation of surface parking.

On December 13, 2018, California Municipal Finance Authority (CMFA), issued its \$185,705 Lease Revenue Bonds, Series 2018A (Orange County Civic Center Infrastructure Improvement Program – Phase II) at a premium of \$26,599, with an interest rate coupon of 5%. As the debt was issued by CMFA, this does not constitute debt for the County of Orange. Pursuant to a loan agreement, CMFA loaned the bond proceeds totaling \$212,304 to the Capital Facilities Development Corporation (Corporation), a component unit of the County, to construct Building 14 located at 645 N. Ross Street. A contractor has been selected to construct Building 14 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 14 will be responsible for making base rental payments. The County’s base rental payments, under the Facility Lease, are scheduled to begin in FY 2022-23 and will be used to repay the loan to the CMFA. Loan repayments are scheduled to end when the bonds mature, in June 2048.







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⁾

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	80.46%	77.91%	76.83%	76.68%
County's proportionate share of the net pension liability	\$ 3,984,401	\$ 4,044,638	\$ 4,391,967	\$ 3,897,223
Covered payroll ⁽²⁾	\$ 1,247,616	\$ 1,200,243	\$ 1,118,395	\$ 1,198,458
County's proportionate share of the net pension liability as a percentage of its covered payroll ⁽²⁾	<u>319.36%</u>	<u>336.98%</u>	<u>392.70%</u>	<u>325.19%</u>
Plan fiduciary net position as a percentage of the total pension liability	72.85%	69.56%	65.66%	68.16%

Schedule of County Contributions ⁽³⁾

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 401,323	\$ 386,138	\$ 358,103	\$ 340,626
Contributions in relation to the actuarially determined contribution	433,098	405,494	411,426	397,044
Contribution deficiency (excess)	<u>\$ (31,775)</u>	<u>\$ (19,356)</u>	<u>\$ (53,323)</u>	<u>\$ (56,418)</u>
Covered payroll ⁽²⁾	\$ 1,217,880	\$ 1,223,930	\$ 1,159,319	\$ 1,158,427
Contributions as a percentage of covered payroll	35.56%	33.13%	35.49%	34.27%

(1) Information is from OCERS' actuary report for OCERS' fiscal year ended December 31, 2017.

(2) The numbers for 2014-2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

(3) For the 12-month period ending on June 30, 2018, fiscal year end.

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

Orange County Extra-Help Defined Benefit Plan

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

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

Schedule of Investment Returns

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

(1) Administrative expense does not round up to \$1 in thousands.

(2) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

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

Orange County Extra-Help Defined Benefit Plan (Continued)

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

	2018	2017	2016	2015
County's proportion of the net pension liability	98.12%	98.12%	98.12%	98.12%
County's proportionate share of the net pension liability	\$ 1,962	\$ 1,995	\$ 2,845	\$ 3,163
Covered payroll (1)	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829
County's proportionate share of the net pension liability as a percentage of its covered payroll (1)	45.65%	42.22%	162.85%	172.94%
Plan fiduciary net position as a percentage of the total pension liability	76.76%	76.24%	65.89%	61.35%

Schedule of Collective Plan Contributions

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

Schedule of County Contributions

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 545	\$ 769	\$ 769	\$ 413	\$ 421
Contributions in relation to the actuarially determined contribution	535	769	769	413	421
Contribution deficiency (excess)	\$ 10	\$ --	\$ --	\$ --	\$ --
Covered payroll (1)	\$ 4,298	\$ 4,725	\$ 1,747	\$ 1,829	\$ 1,876
Contributions as a percentage of covered payroll	12.45%	16.28%	44.02%	22.58%	22.44%

(1) The numbers for 2014 and 2015 were for covered-employee payroll, prior to GASB Statement No. 82 implementation.

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

Orange County Extra-Help Defined Benefit Plan (Continued)

Notes to Schedule

Methods and assumptions used to determine contribution rates:

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

Orange County Retiree Medical Plan

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

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 15,479
Interest	46,589
Benefit payments, including refunds of member contributions	(35,111)
Net change in Total OPEB Liability	<u>26,957</u>
Total OPEB Liability-beginning	667,641
Total OPEB Liability-ending (a)	<u><u>\$ 694,598</u></u>
 Plan Fiduciary Net Position	
Contributions-employer	\$ 60,721
Contributions-employee	2,193
Net investment income	34,217
Benefit payments, including refunds of member contributions	(35,111)
Administrative expense	<u>(22)</u>
Net change in Plan Fiduciary Net Position	61,998
Plan Fiduciary Net Position- beginning	231,807
Plan Fiduciary Net Position-ending (b)	<u><u>\$ 293,805</u></u>
 Plan Net OPEB Liability-ending (a) – (b)	<u><u>\$ 400,793</u></u>
 Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	 42.30%
 Covered payroll ⁽¹⁾	 \$ 1,313,217
 Plan Net OPEB Liability as a percentage of covered payroll	 30.52%

Schedule of Investment Returns

	<u>2017</u>
Actual money-weighted rate of return, net of investment expense	14.74%

(1) For the 12 month period ending on December 31, 2017 (measurement date and plan year).

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

Orange County Retiree Medical Plan (Continued)

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

	<u>2017</u>
County's proportion of the net OPEB liability	90.84%
County's proportionate share of the net OPEB liability	\$ 364,071
Covered payroll ⁽¹⁾	\$ 1,203,106
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>30.26%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.30%

Schedule of Collective Plan Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 47,006
Contributions in relation to the actuarially determined contribution	60,721
Contribution deficiency (excess)	<u><u>\$ (13,715)</u></u>
Covered payroll ⁽¹⁾	\$ 1,313,217
Contributions as a percentage of covered payroll	4.62%

Schedule of County Contributions

	<u>2018</u>
Actuarially determined contribution	\$ 42,716
Contributions in relation to the actuarially determined contribution	46,005
Contribution deficiency (excess)	<u><u>\$ (3,289)</u></u>
Covered payroll ⁽²⁾	\$ 1,220,638
Contributions as a percentage of covered payroll	3.77%

(1) For the 12 month period ending on December 31, 2017 (measurement date and plan year).

(2) For the 12 month period ending on June 30, 2018, fiscal year end.

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

Orange County Retiree Medical Plan (Continued)

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percent of payroll, closed
Remaining amortization period	18 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	3.50%, including inflation
Investment rate of return	7.25%, net of investment expenses, including inflation
Retirement age	OCERS 2011-2013 Experience Study
Participation assumption	81%
Mortality	CalPERS 1997-2011 Experience Study projected generationally with modified mortality improvement Scale MP-2014
Grant increase rates	5% for AFSCME, 3% for others
Medical Trend	7.0% initial (7.2% Medicare) decreasing to 5.0% for 2021 and later





NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources (other than the permanent fund or for major capital projects) that have either legal or operational requirements to restrict expenditures for specified purposes.

Parking Facilities

This fund is used to account for revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

Service Areas, Lighting, Maintenance and Assessment Districts

This group of funds is used to account for the construction of public facilities from the proceeds of various Mello-Roos districts (also known as Community Facilities Districts) bond issues, special assessment district bond issues, and interfund transfers from County Service Area operating funds. Upon completion of construction, the public facilities are transferred to the Special Assessment and Community Facilities Districts. It is also used to account for local park and recreation facilities, highway lighting, and street sweeping services within unincorporated areas of the County. Revenues consist primarily of property taxes and State grants.

Other Environmental Management

This group of funds is used to account for Local Redevelopment Authority (LRA) activities, fees from violations of fish and game laws, usage of various State tidelands held in trust by the County, registration of off-highway vehicles, and motor vehicle fees levied by the South Coast Air Quality Management District.

Tobacco Settlement

This fund accounts for Tobacco Settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement concluded on November 23, 1998 between the major tobacco companies and 46 States (including California), the District of Columbia and four U.S. Territories. On November 7, 2000, Orange County voters passed Measure H. This measure requires the County to utilize its share of the national tobacco litigation settlement revenues in the following percentages:

- 80% for specified health care services
- 20% for public safety

Community and Welfare Services

This group of funds is used to account for the Orange County Workforce Innovation and Opportunity Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, Housing and Community Development, Substance Abuse Treatment, and Other Community and Welfare Social Programs. Revenues consist primarily of Federal grants passed through the State, as well as State grants.

OC Parks

This fund accounts for the development and maintenance of County tidelands and related aquatic recreational facilities, as well as the acquisition, operation and maintenance of County beaches, inland, regional park facilities and community park sites in the unincorporated areas. Revenues consist primarily of property taxes, State aid, lease and concession revenues, and park and recreation fees.

OC Dana Point Harbor

This fund accounts for monies received primarily through rent and concession revenues which are dedicated to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so users and visitors may experience the Dana Point Harbor resource in a safe and enjoyable way.

Housing Asset

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. The Orange County Housing Authority assumed the housing functions

previously performed by OCDA. The Housing Asset Fund was established and the housing assets from the OCDA Low and Moderate Income Housing Fund were transferred into the Fund.

OC Public Libraries

This fund accounts for library services for the unincorporated areas as well as some of the incorporated areas within the County. Property taxes provide most of the fund's revenue. Licenses, permits, Federal and State aid, and charges for services make up the remaining revenue.

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. The residual balances in these funds were distributed in FY 2017-18.

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**

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Areas, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 678,469	\$ 6,880	\$ 5,378	\$ 6,225
Imprest Cash Funds	45	--	--	--
Restricted Cash and Investments with Trustee	306,162	--	119,526	--
Deposits In-Lieu of Cash	25	--	--	--
Receivables				
Accounts	2,649	--	--	1
Taxes	20,194	--	16	--
Interest/Dividends	1,752	23	18	21
Deposits	2,140	--	--	--
Allowance for Uncollectible Receivables	(110)	(10)	--	--
Due from Other Funds	25,105	440	--	261
Due from Other Governmental Agencies	35,015	442	--	44
Prepaid Costs	14,275	80	--	--
Notes Receivable, Net	27,774	--	--	--
Total Assets	<u>\$ 1,113,495</u>	<u>\$ 7,855</u>	<u>\$ 124,938</u>	<u>\$ 6,552</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 37,299	\$ 642	\$ 22,415	\$ --
Retainage Payable	2,106	--	1	1
Salaries and Employee Benefits Payable	1,897	9	--	--
Interest Payable	67	--	--	--
Deposits from Others	45,094	--	--	--
Due to Other Funds	74,758	269	28	17
Due to Component Unit	3	--	--	--
Due to Other Governmental Agencies	6,957	439	162	--
Unearned Revenue	21,423	--	--	--
Advances from Other Funds	33,240	--	--	--
Total Liabilities	<u>222,844</u>	<u>1,359</u>	<u>22,606</u>	<u>18</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue-Intergovernmental Revenues	12,200	--	--	--
Unavailable Revenue-Property Taxes	1,036	--	6	--
Unavailable Revenue-Other	46	--	--	--
Total Deferred Inflows of Resources	<u>13,282</u>	<u>--</u>	<u>6</u>	<u>--</u>
<u>FUND BALANCES</u>				
Nonspendable	14,475	80	--	--
Restricted	685,941	5,260	102,326	978
Assigned	176,953	1,156	--	5,556
Total Fund Balances	<u>877,369</u>	<u>6,496</u>	<u>102,326</u>	<u>6,534</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,113,495</u>	<u>\$ 7,855</u>	<u>\$ 124,938</u>	<u>\$ 6,552</u>

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
				<u>ASSETS</u>
\$ 25,502	\$ 109,864	\$ 112,962	\$ 74,272	Pooled Cash/Investments
--	45	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	25	Deposits In-Lieu of Cash
--	--	--	--	Receivables
--	1	1,035	349	Accounts
--	--	1,106	--	Taxes
--	306	359	219	Interest/Dividends
--	--	7	2,083	Deposits
--	--	--	--	Allowance for Uncollectible Receivables
--	9,593	923	7	Due from Other Funds
--	3,443	209	117	Due from Other Governmental Agencies
--	253	4,710	--	Prepaid Costs
--	6,380	--	--	Notes Receivable, Net
<u>\$ 25,502</u>	<u>\$ 129,885</u>	<u>\$ 121,311</u>	<u>\$ 77,072</u>	Total Assets
				<u>LIABILITIES</u>
\$ --	\$ 1,677	\$ 2,295	\$ 1,147	Accounts Payable
--	--	783	361	Retainage Payable
--	27	689	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	1	1,549	3,231	Deposits from Others
8,932	45,994	2,434	1,448	Due to Other Funds
--	--	--	--	Due to Component Unit
--	1,094	--	102	Due to Other Governmental Agencies
--	206	2,746	7	Unearned Revenue
--	21,940	--	--	Advances from Other Funds
<u>8,932</u>	<u>70,939</u>	<u>10,496</u>	<u>6,296</u>	Total Liabilities
				<u>DEFERRED INFLOWS OF RESOURCES</u>
--	952	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	644	--	Unavailable Revenue-Property Taxes
--	--	--	--	Unavailable Revenue-Other
<u>--</u>	<u>952</u>	<u>644</u>	<u>--</u>	Total Deferred Inflows of Resources
				<u>FUND BALANCES</u>
--	253	4,710	--	Nonspendable
16,570	18,539	93,278	70,776	Restricted
--	39,202	12,183	--	Assigned
<u>16,570</u>	<u>57,994</u>	<u>110,171</u>	<u>70,776</u>	Total Fund Balances
<u>\$ 25,502</u>	<u>\$ 129,885</u>	<u>\$ 121,311</u>	<u>\$ 77,072</u>	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue			
	Housing Asset	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 11,334	\$ 48,199	\$ --	\$ 48,572
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--
Receivables				
Accounts	--	462	--	--
Taxes	--	687	--	--
Interest/Dividends	33	145	--	29
Deposits	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	--	58	--	1,880
Due from Other Governmental Agencies	--	16	--	661
Prepaid Costs	--	4,678	--	--
Notes Receivable, Net	19,972	--	--	--
Total Assets	<u>\$ 31,339</u>	<u>\$ 54,245</u>	<u>\$ --</u>	<u>\$ 51,142</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 6	\$ 272	\$ --	\$ --
Retainage Payable	--	65	--	--
Salaries and Employee Benefits Payable	--	612	--	--
Interest Payable	--	--	--	--
Deposits from Others	--	351	--	--
Due to Other Funds	173	255	--	7,354
Due to Component Unit	--	--	--	3
Due to Other Governmental Agencies	--	1	--	5,013
Unearned Revenue	--	177	--	2,432
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>179</u>	<u>1,733</u>	<u>--</u>	<u>14,802</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue-Intergovernmental Revenues	--	--	--	134
Unavailable Revenue-Property Taxes	--	386	--	--
Unavailable Revenue-Other	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>386</u>	<u>--</u>	<u>134</u>
<u>FUND BALANCES</u>				
Nonspendable	--	4,678	--	--
Restricted	31,160	47,448	--	22,618
Assigned	--	--	--	13,588
Total Fund Balances	<u>31,160</u>	<u>52,126</u>	<u>--</u>	<u>36,206</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,339</u>	<u>\$ 54,245</u>	<u>\$ --</u>	<u>\$ 51,142</u>

Supplemental Information
(Dollar Amounts in Thousands)

Special Revenue			Debt Service		
Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease	
<u>ASSETS</u>					
\$ 104,258	\$ 8,719	\$ 1,625	\$ 52,399	\$ --	Pooled Cash/Investments
--	--	--	--	--	Imprest Cash Funds
--	4,251	--	67	2,768	Restricted Cash and Investments with Trustee
--	--	--	--	--	Deposits In-Lieu of Cash
297	504	--	--	--	Receivables
--	--	--	18,385	--	Accounts
324	30	2	174	--	Taxes
50	--	--	--	--	Interest/Dividends
(30)	(70)	--	--	--	Deposits
1,208	4	--	--	--	Allowance for Uncollectible Receivables
18,892	684	--	10,096	--	Due from Other Funds
3,044	1,510	--	--	--	Due from Other Governmental Agencies
--	1,422	--	--	--	Prepaid Costs
<u>\$ 128,043</u>	<u>\$ 17,054</u>	<u>\$ 1,627</u>	<u>\$ 81,121</u>	<u>\$ 2,768</u>	Notes Receivable, Net
					Total Assets
<u>LIABILITIES</u>					
\$ 3,165	\$ 975	\$ --	\$ --	\$ --	Accounts Payable
606	--	--	--	--	Retainage payable
367	193	--	--	--	Salaries and Employee Benefits Payable
--	--	--	67	--	Interest Payable
39,962	--	--	--	--	Deposits from Others
3,602	1,829	--	3	--	Due to Other Funds
--	--	--	--	--	Due to Component Unit
145	1	--	--	--	Due to Other Governmental Agencies
15,855	--	--	--	--	Unearned Revenue
--	--	--	--	--	Advances from Other Funds
<u>63,702</u>	<u>2,998</u>	<u>--</u>	<u>70</u>	<u>--</u>	Total Liabilities
<u>DEFERRED INFLOWS OF RESOURCES</u>					
11,114	--	--	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	--	--	Unavailable Revenue-Property Taxes
--	--	--	--	--	Unavailable Revenue-Other
<u>11,114</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
<u>FUND BALANCES</u>					
3,044	1,510	--	--	--	Nonspendable
50,183	12,546	1,627	18,385	2,768	Restricted
--	--	--	62,666	--	Assigned
<u>53,227</u>	<u>14,056</u>	<u>1,627</u>	<u>81,051</u>	<u>2,768</u>	Total Fund Balances
<u>\$ 128,043</u>	<u>\$ 17,054</u>	<u>\$ 1,627</u>	<u>\$ 81,121</u>	<u>\$ 2,768</u>	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 44	\$ --	\$ --	\$ --
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	46,564	14,770	9,247	6
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	<u>\$ 46,608</u>	<u>\$ 14,770</u>	<u>\$ 9,247</u>	<u>\$ 6</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ --	\$ --	\$ --	\$ --
Retainage payable	--	--	--	--
Salaries and Employee Benefits Payable	--	--	--	--
Interest Payable	--	--	--	--
Deposits from Others	--	--	--	--
Due to Other Funds	9	--	2,201	--
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	--	--	--	--
Unearned Revenue	--	--	--	--
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>9</u>	<u>--</u>	<u>2,201</u>	<u>--</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue-Intergovernmental Revenues	--	--	--	--
Unavailable Revenue-Property Taxes	--	--	--	--
Unavailable Revenue-Other	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>FUND BALANCES</u>				
Nonspendable	--	--	--	--
Restricted	46,599	14,770	7,046	6
Assigned	--	--	--	--
Total Fund Balances	<u>46,599</u>	<u>14,770</u>	<u>7,046</u>	<u>6</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 46,608</u>	<u>\$ 14,770</u>	<u>\$ 9,247</u>	<u>\$ 6</u>

Capital Projects			Permanent	
Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
				<u>ASSETS</u>
\$ 28,456	\$ 33,433	\$ --	\$ 347	Pooled Cash/Investments
--	--	--	--	Imprest Cash Funds
--	--	108,963	--	Restricted Cash and Investments with Trustee
--	--	--	--	Deposits In-Lieu of Cash
--	--	--	--	Receivables
--	--	--	--	Accounts
--	--	--	--	Taxes
68	--	--	1	Interest/Dividends
--	--	--	--	Deposits
--	--	--	--	Allowance for Uncollectible Receivables
1	10,730	--	--	Due from Other Funds
411	--	--	--	Due from Other Governmental Agencies
--	--	--	--	Prepaid Costs
--	--	--	--	Notes Receivable, Net
<u>\$ 28,936</u>	<u>\$ 44,163</u>	<u>\$ 108,963</u>	<u>\$ 348</u>	Total Assets
				<u>LIABILITIES</u>
\$ 3,155	\$ 1,550	\$ --	\$ --	Accounts Payable
289	--	--	--	Retainage payable
--	--	--	--	Salaries and Employee Benefits Payable
--	--	--	--	Interest Payable
--	--	--	--	Deposits from Others
199	11	--	--	Due to Other Funds
--	--	--	--	Due to Component Unit
--	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Unearned Revenue
11,300	--	--	--	Advances from Other Funds
<u>14,943</u>	<u>1,561</u>	<u>--</u>	<u>--</u>	Total Liabilities
				<u>DEFERRED INFLOWS OF RESOURCES</u>
--	--	--	--	Unavailable Revenue-Intergovernmental Revenues
--	--	--	--	Unavailable Revenue-Property Taxes
46	--	--	--	Unavailable Revenue-Other
<u>46</u>	<u>--</u>	<u>--</u>	<u>--</u>	Total Deferred Inflows of Resources
				<u>FUND BALANCES</u>
--	--	--	200	Nonspendable
13,947	--	108,963	148	Restricted
--	42,602	--	--	Assigned
<u>13,947</u>	<u>42,602</u>	<u>108,963</u>	<u>348</u>	Total Fund Balances
<u>\$ 28,936</u>	<u>\$ 44,163</u>	<u>\$ 108,963</u>	<u>\$ 348</u>	Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

		Special Revenue		
	Total Nonmajor Governmental Funds	Parking Facilities	Service Area, Lighting, Maintenance, & Assessment Districts	Other Environmental Management
Revenues				
Taxes	\$ 143,546	\$ --	\$ 655	\$ --
Licenses, Permits, and Franchises	1,871	--	--	--
Fines, Forfeitures, and Penalties	20,410	--	--	--
Use of Money and Property	61,357	13,445	1,008	829
Intergovernmental	355,599	1,179	77,645	159
Charges for Services	43,307	349	12	491
Other	44,274	392	11	386
Total Revenues	670,364	15,365	79,331	1,865
Expenditures				
Current				
General Government	76,202	--	54,871	134
Public Protection	668	--	--	156
Public Ways and Facilities	101,534	10,164	221	1,437
Health and Sanitation	929	--	--	--
Public Assistance	191,381	--	--	--
Education	46,842	--	--	--
Recreation and Cultural Services	117,965	--	--	--
Capital Outlay	132,827	758	--	424
Debt Service				
Principal Retirement	79,303	--	--	--
Interest	25,526	--	--	--
Total Expenditures	773,177	10,922	55,092	2,151
Excess (Deficit) of Revenues Over Expenditures	(102,813)	4,443	24,239	(286)
Other Financing Sources (Uses)				
Transfers In	120,533	443	--	261
Transfers Out	(187,656)	(3,765)	--	--
Debt Issued	58,489	--	--	--
Capital Leases	47	--	--	--
Total Other Financing Sources (Uses)	(8,587)	(3,322)	--	261
Net Change in Fund Balances	(111,400)	1,121	24,239	(25)
Fund Balances-Beginning of Year	988,769	5,375	78,087	6,559
Fund Balances-End of Year	\$ 877,369	\$ 6,496	\$ 102,326	\$ 6,534

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
\$ --	\$ --	\$ 88,193	\$ --	Revenues
--	799	265	--	Taxes
--	--	49	100	Licenses, Permits, and Franchises
200	1,627	11,097	27,210	Fines, Forfeitures, and Penalties
--	36,566	1,064	--	Use of Money and Property
--	3,333	12,372	629	Intergovernmental
31,859	5,280	2,726	89	Charges for Services
32,059	47,605	115,766	28,028	Other
				Total Revenues
				Expenditures
				Current
8	--	--	--	General Government
--	512	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	22,128	--	--	Public Assistance
--	--	--	--	Education
--	--	94,200	23,765	Recreation and Cultural Services
--	11,221	14,013	943	Capital Outlay
--	--	--	--	Debt Service
--	--	--	--	Principal Retirement
8	33,861	108,213	24,708	Interest
				Total Expenditures
32,051	13,744	7,553	3,320	Excess (Deficit) of Revenues
				Over Expenditures
8	17,614	--	--	Other Financing Sources (Uses)
(26,926)	(55,958)	(1,101)	(18)	Transfers In
--	--	--	--	Transfers Out
--	--	--	--	Debt Issued
(26,918)	(38,344)	(1,101)	(18)	Capital Leases
				Total Other Financing Sources (Uses)
5,133	(24,600)	6,452	3,302	Net Change in Fund Balances
11,437	82,594	103,719	67,474	Fund Balances-Beginning of Year
\$ 16,570	\$ 57,994	\$ 110,171	\$ 70,776	Fund Balances-End of Year

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

	Special Revenue			
	Housing Asset	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
Revenues				
Taxes	\$ --	\$ 54,698	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	--	7	--	7,444
Use of Money and Property	283	503	32	568
Intergovernmental	--	383	--	4,549
Charges for Services	--	1,053	--	1,166
Other	--	1,141	--	91
Total Revenues	283	57,785	32	13,818
Expenditures				
Current				
General Government	--	--	19,685	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	929
Public Assistance	664	--	--	--
Education	--	46,842	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	1,841	--	--
Debt Service				
Principal Retirement	--	16	--	--
Interest	--	1	--	--
Total Expenditures	664	48,700	19,685	929
Excess (Deficit) of Revenues Over Expenditures	(381)	9,085	(19,653)	12,889
Other Financing Sources (Uses)				
Transfers In	--	--	2,530	1,991
Transfers Out	--	--	(7)	(12,624)
Debt Issued	--	--	--	--
Capital Leases	--	47	--	--
Total Other Financing Sources (Uses)	--	47	2,523	(10,633)
Net Change in Fund Balances	(381)	9,132	(17,130)	2,256
Fund Balances-Beginning of Year	31,541	42,994	17,130	33,950
Fund Balances-End of Year	\$ 31,160	\$ 52,126	\$ --	\$ 36,206

Supplemental Information
(Dollar Amounts in Thousands)

Special Revenue			Debt Service		
Roads	Orange County Housing Authority	Other Governmental Resources	Teeter Plan Notes	Orange County Public Facilities Corporation Bonds, Master Lease	
\$ --	\$ --	\$ --	\$ --	\$ --	Revenues
807	--	--	--	--	Taxes
3	--	--	9,990	--	Licenses, Permits, and Franchises
771	159	18	1,218	27	Fines, Forfeitures, and Penalties
70,512	163,542	--	--	--	Use of Money and Property
23,708	3	191	--	--	Intergovernmental
1,587	572	59	2	--	Charges for Services
97,388	164,276	268	11,210	27	Other
					Total Revenues
					Expenditures
					Current
--	--	1	220	--	General Government
--	--	--	--	--	Public Protection
89,712	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	168,589	--	--	--	Public Assistance
--	--	--	--	--	Education
--	--	--	--	--	Recreation and Cultural Services
28,253	--	--	--	--	Capital Outlay
--	--	--	59,110	419	Debt Service
--	--	--	1,105	2,179	Principal Retirement
117,965	168,589	1	60,435	2,598	Interest
					Total Expenditures
(20,577)	(4,313)	267	(49,225)	(2,571)	Excess (Deficit) of Revenues
					Over Expenditures
					Other Financing Sources (Uses)
--	--	--	--	2,396	Transfers In
(625)	--	(8)	--	--	Transfers Out
--	--	--	58,489	--	Debt Issued
--	--	--	--	--	Capital Leases
(625)	--	(8)	58,489	2,396	Total Other Financing Sources (Uses)
(21,202)	(4,313)	259	9,264	(175)	Net Change in Fund Balances
74,429	18,369	1,368	71,787	2,943	Fund Balances-Beginning of Year
\$ 53,227	\$ 14,056	\$ 1,627	\$ 81,051	\$ 2,768	Fund Balances-End of Year

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

	Debt Service			
	Pension Obligation Bonds	Capital Facilities Development Corporation	South OC Public Financing Authority	Orange County Public Financing Authority
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures, and Penalties	--	--	--	--
Use of Money and Property	176	90	173	26
Intergovernmental	--	--	--	--
Charges for Services	--	--	--	--
Other	--	--	--	--
Total Revenues	176	90	173	26
Expenditures				
Current				
General Government	37	95	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	--
Debt Service				
Principal Retirement	3,003	--	7,165	9,590
Interest	11,997	6,757	3,152	335
Total Expenditures	15,037	6,852	10,317	9,925
Excess (Deficit) of Revenues				
Over Expenditures	(14,861)	(6,762)	(10,144)	(9,899)
Other Financing Sources (Uses)				
Transfers In	--	--	10,316	2,440
Transfers Out	--	(6)	(16,413)	(14,322)
Debt Issued	--	--	--	--
Capital Leases	--	--	--	--
Total Other Financing Sources (Uses)	--	(6)	(6,097)	(11,882)
Net Change in Fund Balances	(14,861)	(6,768)	(16,241)	(21,781)
Fund Balances-Beginning of Year	61,460	21,538	23,287	21,787
Fund Balances-End of Year	\$ 46,599	\$ 14,770	\$ 7,046	\$ 6

Capital Projects			Permanent	
Criminal Justice Facilities	Countywide Capital Projects Non-General Fund	Capital Facilities Development Corporation Construction	Regional Park Endowment	
\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	Taxes
2,817	--	--	--	Licenses, Permits, and Franchises
177	470	1,247	3	Fines, Forfeitures, and Penalties
--	--	--	--	Use of Money and Property
--	--	--	--	Intergovernmental
75	--	--	4	Charges for Services
3,069	470	1,247	7	Other
				Total Revenues
				Expenditures
				Current
--	1,151	--	--	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	--	--	--	Public Assistance
--	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
16,400	15,213	43,761	--	Capital Outlay
				Debt Service
--	--	--	--	Principal Retirement
--	--	--	--	Interest
16,400	16,364	43,761	--	Total Expenditures
				Excess (Deficit) of Revenues
(13,331)	(15,894)	(42,514)	7	Over Expenditures
				Other Financing Sources (Uses)
19,034	63,494	6	--	Transfers In
(4,319)	(51,564)	--	--	Transfers Out
--	--	--	--	Debt Issued
--	--	--	--	Capital Leases
14,715	11,930	6	--	Total Other Financing Sources (Uses)
				Net Change in Fund Balances
1,384	(3,964)	(42,508)	7	
12,563	46,566	151,471	341	Fund Balances-Beginning of Year
\$ 13,947	\$ 42,602	\$ 108,963	\$ 348	Fund Balances-End of Year

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS-SPECIAL REVENUE

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<u>Parking Facilities</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 6,207	\$ 6,207	\$ 6,074	\$ (133)
Charges for Services	301	505	349	(156)
Other	376	376	401	25
Transfers In	669	443	443	--
Total Revenues and Other Financing Sources	7,553	7,531	7,267	(264)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Parking Facilities	7,419	8,271	6,843	1,428
Total Expenditures and Other Financing Uses	7,419	8,271	6,843	1,428
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	134	(740)	424	\$ 1,164
Fund Balances-Beginning of Year	742	742	742	
Fund Balances-End of Year	\$ 876	\$ 2	\$ 1,166	
<u>Service Area, Lighting, Maintenance, and Assessment Districts</u>				
Revenues and Other Financing Sources				
Taxes	\$ 612	\$ 612	\$ 655	\$ 43
Use of Money and Property	39	148	994	846
Intergovernmental	4	4	4	--
Charges for Services	29	29	12	(17)
Other	2	10	11	1
Transfers In	--	77,641	77,641	--
Bond Issuance Proceeds	--	33,459	--	(33,459)
Total Revenues and Other Financing Sources	686	111,903	79,317	(32,586)
Expenditures and Other Financing Uses				
General Government:				
Special Assessment-Top of the World Improvement	58	58	--	58
CFD 2015-1 RMV (Village of Esencia) Construction	1,623	29,835	29,808	27
CFD 2016-1 RMV (Village of Esencia) Construction	48,898	48,898	31,935	16,963
CFD 2017-1 RMV (Village of Esencia) Construction	--	111,100	4,470	106,630
Public Ways and Facilities:				
North Tustin Landscaping and Lighting Assessment District	3,474	3,474	157	3,317
County Service Area No. 13-La Mirada	9	10	7	3
County Service Area No. 20-La Habra	1	10	--	10
County Service Area No. 22-East Yorba Linda	66	66	57	9
Total Expenditures and Other Financing Uses	54,129	193,451	66,434	127,017
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(53,443)	(81,548)	12,883	\$ 94,431
Fund Balances-Beginning of Year	93,965	93,965	93,965	
Fund Balances-End of Year	\$ 40,522	\$ 12,417	\$ 106,848	
<u>Other Environmental Management</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 409	\$ 409	\$ 848	\$ 439
Intergovernmental	1,852	1,852	159	(1,693)
Charges for Services	85	85	491	406
Other	166	166	386	220
Transfers In	--	261	261	--
Total Revenues and Other Financing Sources	2,512	2,773	2,145	(628)
Expenditures and Other Financing Uses				
General Government:				
Real Estate Development Program	2,388	2,649	95	2,554
Air Quality Improvement	670	670	463	207
Public Protection:				
Survey Monument Preservation	363	363	156	207
Public Ways and Facilities:				
El Toro Improvement Fund	2,965	2,965	1,437	1,528
Total Expenditures and Other Financing Uses	6,386	6,647	2,151	4,496
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,874)	(3,874)	(6)	\$ 3,868
Fund Balances-Beginning of Year	6,571	6,571	6,571	
Fund Balances-End of Year	\$ 2,697	\$ 2,697	\$ 6,565	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<u>Tobacco Settlement</u>				
Revenues and Other Financing Sources				
Other	\$ 25,194	\$ 24,956	\$ 31,859	\$ 6,903
Total Revenues and Other Financing Sources	25,194	24,956	31,859	6,903
Expenditures and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	33,664	36,381	26,754	9,627
Total Expenditures and Other Financing Uses	33,664	36,381	26,754	9,627
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,470)	(11,425)	5,105	\$ 16,530
Fund Balances-Beginning of Year	11,425	11,425	11,425	
Fund Balances-End of Year	\$ 2,955	\$ --	\$ 16,530	
<u>Community and Welfare Services</u>				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 802	\$ 802	\$ 799	\$ (3)
Use of Money and Property	1,091	1,341	1,891	550
Intergovernmental	40,146	42,769	36,270	(6,499)
Charges for Services	2,937	3,412	3,235	(177)
Other	7,561	4,795	5,280	485
Transfers In	19,056	24,632	21,684	(2,948)
Total Revenues and Other Financing Sources	71,593	77,751	69,159	(8,592)
Expenditures and Other Financing Uses				
Public Assistance:				
MHSA Housing Fund	994	994	18	976
OC Animal Care Center Donations	100	146	138	8
Dispute Resolution Program	893	924	635	289
Domestic Violence Program	1,054	1,112	771	341
Facilities Development and Maintenance	2,080	2,080	315	1,765
Workforce Investment Act	19,644	19,309	12,543	6,766
County Executive Office-Single Family Housing	5,251	5,251	5,030	221
OC Housing	12,436	11,232	8,130	3,102
Strategic Priority Affordable Housing	492	492	393	99
In-Home Support Services Public Authority	1,977	1,977	1,699	278
SSA Donations and Fees	1,314	1,314	996	318
SSA Wraparound	26,352	54,984	46,412	8,572
CalHome Program Reuse Fund	778	778	--	778
OC Animal Shelter Fund	16,831	16,265	15,203	1,062
Santa Ana Regional Center Lease Conveyance	964	964	963	1
Total Expenditures and Other Financing Uses	91,160	117,822	93,246	24,576
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(19,567)	(40,071)	(24,087)	\$ 15,984
Fund Balances-Beginning of Year	105,343	105,343	105,343	
Fund Balances-End of Year	\$ 85,776	\$ 65,272	\$ 81,256	
<u>OC Parks</u>				
Revenues and Other Financing Sources				
Taxes	\$ 83,663	\$ 83,663	\$ 88,110	\$ 4,447
Licenses, Permits, and Franchises	233	233	265	32
Fines, Forfeitures, and Penalties	34	34	49	15
Use of Money and Property	10,903	10,903	11,715	812
Intergovernmental	407	407	1,064	657
Charges for Services	9,798	9,798	12,373	2,575
Other	135	135	2,483	2,348
Transfers In	17,583	17,583	4,000	(13,583)
Total Revenues and Other Financing Sources	122,756	122,756	120,059	(2,697)
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands-Newport Bay	9,859	9,859	6,181	3,678
OC Parks	124,934	124,934	94,567	30,367
OC Capital	33,830	33,830	12,740	21,090
Total Expenditures and Other Financing Uses	168,623	168,623	113,488	55,135
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(45,867)	(45,867)	6,571	\$ 52,438
Fund Balances-Beginning of Year	102,362	102,362	102,362	
Fund Balances-End of Year	\$ 56,495	\$ 56,495	\$ 108,933	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
OC Dana Point Harbor				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 11	\$ 11	\$ --	\$ (11)
Fines, Forfeitures and Penalties	127	127	100	(27)
Use of Money and Property	27,027	27,027	27,454	427
Charges for Services	854	854	629	(225)
Other	60	60	90	30
Total Revenues and Other Financing Sources	28,079	28,079	28,273	194
Expenditures and Other Financing Uses				
Recreation and Cultural Services:				
OC Dana Point Harbor	44,147	44,147	24,850	19,297
Total Expenditures and Other Financing Uses	44,147	44,147	24,850	19,297
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(16,068)	(16,068)	3,423	\$ 19,491
Fund Balances-Beginning of Year	67,722	67,722	67,722	
Fund Balances-End of Year	\$ 51,654	\$ 51,654	\$ 71,145	
Housing Asset				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 254	\$ 254	\$ 407	\$ 153
Other	--	--	(90)	(90)
Total Revenues and Other Financing Sources	254	254	317	63
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Development Agency Housing Asset	12,216	12,216	663	11,553
Total Expenditures and Other Financing Uses	12,216	12,216	663	11,553
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(11,962)	(11,962)	(346)	\$ 11,616
Fund Balances-Beginning of Year	31,564	31,564	31,564	
Fund Balances-End of Year	\$ 19,602	\$ 19,602	\$ 31,218	
OC Public Libraries				
Revenues and Other Financing Sources				
Taxes	\$ 46,514	\$ 46,514	\$ 54,636	\$ 8,122
Fines, Forfeitures, and Penalties	19	19	7	(12)
Use of Money and Property	228	228	669	441
Intergovernmental	450	450	383	(67)
Charges for Services	1,042	1,042	1,053	11
Other	722	722	908	186
Total Revenues and Other Financing Sources	48,975	48,975	57,656	8,681
Expenditures and Other Financing Uses				
Education:				
OC Public Libraries-Capital	6,488	6,751	2,336	4,415
OC Public Libraries	58,754	59,704	46,776	12,928
Total Expenditures and Other Financing Uses	65,242	66,455	49,112	17,343
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(16,267)	(17,480)	8,544	\$ 26,024
Fund Balances-Beginning of Year	43,038	43,038	43,038	
Fund Balances-End of Year	\$ 26,771	\$ 25,558	\$ 51,582	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Plan of Adjustment Available Cash				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 25	\$ 33	\$ 33	\$ --
Transfers In	10,154	2,530	2,530	--
Total Revenues and Other Financing Sources	10,179	2,563	2,563	--
Expenditures and Other Financing Sources				
General Government:				
Class B-27 Registered Warrants	--	3	3	--
Recovery Plan of Adjustment Available Cash	12,255	19,690	19,690	--
Total Expenditures and Other Financing Uses	12,255	19,693	19,693	--
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,076)	(17,130)	(17,130)	\$ --
Fund Balances-Beginning of Year	17,130	17,130	17,130	
Fund Balances-End of Year	\$ 15,054	\$ --	\$ --	
Health Care Programs				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	\$ 7,855	\$ 7,855	\$ 7,446	\$ (409)
Use of Money and Property	191	191	285	94
Intergovernmental	5,700	6,200	3,816	(2,384)
Charges for Services	1,251	1,251	1,166	(85)
Other	255	255	91	(164)
Transfers In	400	1,980	1,975	(5)
Total Revenues and Other Financing Sources	15,652	17,732	14,779	(2,953)
Expenditures and Other Financing Uses				
Health and Sanitation:				
Medi-Cal Administrative Activities Targeted Case Management	1,808	1,808	965	843
Emergency Medical Services	7,790	7,790	7,455	335
HCA Purpose Restricted Revenues	2,183	3,763	952	2,811
HCA Interest Bearing Purpose Restricted Revenues	51	51	4	47
Bioterrorism Center for Disease Control	3,997	4,556	3,815	741
Total Expenditures and Other Financing Uses	15,829	17,968	13,191	4,777
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(177)	(236)	1,588	\$ 1,824
Fund Balances-Beginning of Year	34,865	34,865	34,865	
Fund Balances-End of Year	\$ 34,688	\$ 34,629	\$ 36,453	
Roads				
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises	\$ 721	\$ 721	\$ 807	\$ 86
Fines, Forfeitures, and Penalties	7	7	3	(4)
Use of Money and Property	670	670	1,056	386
Intergovernmental	70,596	72,546	76,434	3,888
Charges for Services	53,607	54,007	23,794	(30,213)
Other	60,630	36,710	1,593	(35,117)
Total Revenues and Other Financing Sources	186,231	164,661	103,687	(60,974)
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
OC Road	154,539	163,409	91,022	72,387
Foothill Circulation Phasing Plan	1,002	1,062	349	713
South County Roadway Improve Prog (SCRIP)	28,005	36,454	28,000	8,454
Total Expenditures and Other Financing Uses	183,546	200,925	119,371	81,554
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,685	(36,264)	(15,684)	\$ 20,580
Fund Balances-Beginning of Year	76,057	76,057	76,057	
Fund Balances-End of Year	\$ 78,742	\$ 39,793	\$ 60,373	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
Orange County Housing Authority				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 129	\$ 129	\$ 186	\$ 57
Intergovernmental	166,644	166,644	163,542	(3,102)
Charges for Services	9	9	3	(6)
Other	822	822	571	(251)
Total Revenues and Other Financing Sources	167,604	167,604	164,302	(3,302)
Expenditures and Other Financing Uses				
Public Assistance:				
Orange County Housing Authority-Operating Reserve	4,281	4,282	1,338	2,944
Orange County Housing Authority	174,307	174,871	167,251	7,620
Total Expenditures and Other Financing Uses	178,588	179,153	168,589	10,564
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(10,984)	(11,549)	(4,287)	\$ 7,262
Fund Balances-Beginning of Year	18,386	18,386	18,386	
Fund Balances-End of Year	\$ 7,402	\$ 6,837	\$ 14,099	
Other Governmental Resources				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 7	\$ 7	\$ 12	\$ 5
Charges for Services	200	200	191	(9)
Other	--	--	59	59
Total Revenues and Other Financing Sources	207	207	262	55
Expenditures and Other Financing Uses				
General Government:				
Remittance Processing Equipment Replacement	76	76	1	75
Assessor Property Characteristic	200	200	--	200
Total Expenditures and Other Financing Uses	276	276	1	275
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(69)	(69)	261	\$ 330
Fund Balances-Beginning of Year	1,370	1,370	1,370	
Fund Balances-End of Year	\$ 1,301	\$ 1,301	\$ 1,631	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<u>Teeter Plan Notes</u>				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	\$ --	\$ 11,050	\$ 9,449	\$ (1,601)
Use of Money and Property	225	225	1,405	1,180
Other	--	--	2	2
Bond Issuance Proceeds	32,000	58,489	58,489	--
Total Revenues and Other Financing Sources	32,225	69,764	69,345	(419)
Expenditures and Other Financing Uses				
General Government:				
Teeter Series A Debt Service	66,957	104,496	60,435	44,061
Total Expenditures and Other Financing Uses	66,957	104,496	60,435	44,061
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(34,732)	(34,732)	8,910	\$ 43,642
Fund Balances-Beginning of Year	68,452	68,452	68,452	
Fund Balances-End of Year	\$ 33,720	\$ 33,720	\$ 77,362	
<u>Pension Obligation Bonds</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ 8,359	\$ 8,359	\$ 8,359	\$ --
Total Revenues and Other Financing Sources	8,359	8,359	8,359	--
Expenditures and Other Financing Uses				
General Government:				
Pension Obligation Bonds Debt Service	15,046	15,046	15,035	11
Total Expenditures and Other Financing Uses	15,046	15,046	15,035	11
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(6,687)	(6,687)	(6,676)	\$ 11
Fund Balances-Beginning of Year	28,205	28,205	28,205	
Fund Balances-End of Year	\$ 21,518	\$ 21,518	\$ 21,529	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<u>Criminal Justice Facilities</u>				
Revenues and Other Financing Sources				
Fines, Forfeitures, and Penalties	\$ 2,825	\$ 2,739	\$ 2,817	\$ 78
Use of Money and Property	75	75	286	211
Intergovernmental	6,505	6,505	--	(6,505)
Other	12	2,604	75	(2,529)
Transfers In	37,138	39,760	19,035	(20,725)
Total Revenues and Other Financing Sources	46,555	51,683	22,213	(29,470)
Expenditures and Other Financing Uses				
Public Protection:				
Criminal Justice Facilities Accumulated Capital Outlay	25,609	28,973	5,981	22,992
Courthouse Temporary Construction	3,639	3,664	3,664	--
Sheriff-Coroner Construction and Facility Development	33,379	39,157	9,099	30,058
Total Expenditures and Other Financing Uses	62,627	71,794	18,744	53,050
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(16,072)	(20,111)	3,469	\$ 23,580
Fund Balances-Beginning of Year	20,097	20,097	20,097	
Fund Balances-End of Year	\$ 4,025	\$ (14)	\$ 23,566	
<u>Countywide Capital Projects Non-General Fund</u>				
Revenues and Other Financing Sources				
Transfers In	24,473	63,474	63,473	(1)
Total Revenues and Other Financing Sources	24,473	63,474	63,473	(1)
Expenditures and Other Financing Uses				
Capital Improvements:				
Countywide Capital Projects Non-General	56,403	63,060	56,022	7,038
Countywide IT Projects Non-General	10,771	11,593	11,462	131
Total Expenditures and Other Financing Uses	67,174	74,653	67,484	7,169
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(42,701)	(11,179)	(4,011)	\$ 7,168
Fund Balances-Beginning of Year	46,558	46,558	46,558	
Fund Balances-End of Year	\$ 3,857	\$ 35,379	\$ 42,547	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.

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

	* Original Budget	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)
<u>Regional Park Endowment</u>				
Revenues and Other Financing Sources				
Use of Money and Property	\$ --	\$ 4	\$ 4	\$ --
Other	--	4	5	1
Total Revenues and Other Financing Sources	--	8	9	1
Expenditures and Other Financing Uses				
Public Ways and Facilities:				
Limestone Regional Park Mitigation Maintenance Endowment	--	8	--	8
Total Expenditures and Other Financing Uses	--	8	--	8
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	--	--	9	<u><u>\$ 9</u></u>
Fund Balances-Beginning of Year	184	184	184	
Fund Balances-End of Year	<u><u>\$ 184</u></u>	<u><u>\$ 184</u></u>	<u><u>\$ 193</u></u>	

* Budgeted amounts, which include carried forward prior year encumbrance, may differ from the adopted budget.



INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, 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.

Insured Health Plans

This fund is used to account for the fully insured health plans for the County employees and retirees.

Life Insurance

This fund is used to account for the County's life insurance and accidental death and dismemberment insurance for employees.

Workers' Compensation

This fund is used to account for the County's self-funded workers' compensation insurance program.

Unemployment Insurance

This fund is used to account for the County's self-funded unemployment insurance program.

Property and Casualty Risk

This fund is used to account for the County's self-funded property and casualty risk insurance program.

Transportation

This fund is used to account for motor pool repair and maintenance, and for other transportation services, which are provided to departments and agencies on a cost-reimbursement basis.

Reprographics

This fund is used to account for printing and graphic services, which are provided to departments and agencies on a cost-reimbursement basis.

Information and Technology

This fund is used to account for applications development and support, voice and data services, and desktop support to departments and agencies on a cost-reimbursement basis.

County of Orange
Comprehensive Annual Financial Report
June 30, 2018
(Dollar Amounts in Thousands)

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
ASSETS					
Current Assets					
Pooled Cash/Investments	\$ 256,817	\$ 35,985	\$ 7,310	\$ 131	\$ 90,831
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Receivables					
Accounts	163	6	26	--	--
Interest/Dividends	690	108	--	--	240
Allowance for Uncollectible Receivables	(57)	--	--	--	--
Due from Other Funds	2,996	874	195	--	61
Due from Other Governmental Agencies	680	275	1	--	42
Inventory of Materials and Supplies	385	--	--	--	--
Prepaid Costs	1,879	--	--	--	255
Total Current Assets	263,936	37,623	7,532	131	91,429
Noncurrent Assets					
Capital Assets					
Construction in Progress	2,448	--	--	--	--
Intangible Assets-Amortizable	118	--	--	--	118
Accumulated Amortization	(16)	--	--	--	(16)
Structures and Improvements	12,599	--	--	--	--
Accumulated Depreciation	(6,650)	--	--	--	--
Equipment	135,615	--	--	--	8
Accumulated Depreciation	(82,008)	--	--	--	(8)
Total Capital Assets	62,106	--	--	--	102
Total Assets	326,042	37,623	7,532	131	91,531
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to Pension	11,156	--	--	--	2,799
Deferred Outflows of Resources Related to OPEB	299	--	--	--	108
Total Deferred Outflows of Resources	11,455	--	--	--	2,907
LIABILITIES					
Current Liabilities					
Accounts Payable	12,848	467	--	--	825
Retainage Payable	26	--	--	--	--
Salaries and Employee Benefits Payable	515	--	--	--	63
Due to Other Funds	713	5	--	--	11
Due to Other Governmental Agencies	2	--	--	--	--
Insurance Claims Payable	55,348	12,676	--	--	30,859
Compensated Employee Absences Payable	1,157	--	--	--	143
Total Current Liabilities	70,609	13,148	--	--	31,901
Noncurrent Liabilities					
Insurance Claims Payable	148,411	--	--	--	119,336
Compensated Employee Absences Payable	1,219	--	--	--	121
Net Pension Liability	37,768	--	--	--	7,006
Net OPEB Liability	4,514	--	--	--	1,633
Total Noncurrent Liabilities	191,912	--	--	--	128,096
Total Liabilities	262,521	13,148	--	--	159,997
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to Pension	8,874	--	--	--	2,468
Deferred Inflows of Resources Related to OPEB	153	--	--	--	55
Total Deferred Inflows of Resources	9,027	--	--	--	2,523
NET POSITION					
Net Investment in Capital Assets	62,106	--	--	--	102
Unrestricted	3,843	24,475	7,532	131	(68,184)
Total Net Position	\$ 65,949	\$ 24,475	\$ 7,532	\$ 131	\$ (68,082)

Supplemental Information
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
					ASSETS
					Current Assets
\$ 8,100	\$ 63,147	\$ 17,369	\$ 4,208	\$ 29,736	Pooled Cash/Investments
--	--	--	--	--	Cash/Cash Equivalents
--	5	--	--	3	Imprest Cash Funds
--	3	56	4	68	Receivables
24	177	46	11	84	Accounts
--	--	(56)	--	(1)	Interest/Dividends
--	213	1,627	--	26	Allowance for Uncollectible Receivables
--	16	14	--	332	Due from Other Funds
--	--	385	--	--	Due from Other Governmental Agencies
--	130	648	78	768	Inventory of Materials and Supplies
8,124	63,691	20,089	4,301	31,016	Prepaid Costs
					Total Current Assets
					Noncurrent Assets
--	--	--	239	2,209	Capital Assets
--	--	--	--	--	Construction in Progress
--	--	--	--	--	Intangible Assets-Amortizable
--	--	9,797	--	2,802	Accumulated Amortization
--	--	(5,538)	--	(1,112)	Structures and Improvements
--	--	58,575	1,440	75,592	Accumulated Depreciation
--	--	(25,900)	(1,226)	(54,874)	Equipment
--	--	36,934	453	24,617	Accumulated Depreciation
8,124	63,691	57,023	4,754	55,633	Total Capital Assets
					Total Assets
					DEFERRED OUTFLOWS OF RESOURCES
--	719	3,303	600	3,735	Deferred Outflows of Resources Related to Pension
--	16	75	12	88	Deferred Outflows of Resources Related to OPEB
--	735	3,378	612	3,823	Total Deferred Outflows of Resources
					LIABILITIES
					Current Liabilities
13	1,853	718	183	8,789	Accounts Payable
--	--	--	12	14	Retainage Payable
--	34	174	30	214	Salaries and Employee Benefits Payable
--	3	553	8	133	Due to Other Funds
--	--	1	1	--	Due to Other Governmental Agencies
801	11,012	--	--	--	Insurance Claims Payable
--	100	368	44	502	Compensated Employee Absences Payable
814	13,002	1,814	278	9,652	Total Current Liabilities
					Noncurrent Liabilities
--	29,075	--	--	--	Insurance Claims Payable
--	86	466	28	518	Compensated Employee Absences Payable
--	2,841	12,395	2,436	13,090	Net Pension Liability
--	239	1,136	183	1,323	Net OPEB Liability
--	32,241	13,997	2,647	14,931	Total Noncurrent Liabilities
814	45,243	15,811	2,925	24,583	Total Liabilities
					DEFERRED INFLOWS OF RESOURCES
--	563	2,547	452	2,844	Deferred Inflows of Resources Related to Pension
--	8	39	6	45	Deferred Inflows of Resources Related to OPEB
--	571	2,586	458	2,889	Total Deferred Inflows of Resources
					NET POSITION
--	--	36,934	453	24,617	Net Investment in Capital Assets
7,310	18,612	5,070	1,530	7,367	Unrestricted
\$ 7,310	\$ 18,612	\$ 42,004	\$ 1,983	\$ 31,984	Total Net Position

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
Operating Revenues					
Use of Money and Property	\$ 1,581	\$ --	\$ --	\$ --	\$ --
Charges for Services	99,612	1,503	--	--	--
Insurance Premiums	330,315	65,600	173,614	824	58,558
Total Operating Revenues	431,508	67,103	173,614	824	58,558
Operating Expenses					
Salaries and Employee Benefits	22,834	--	--	--	2,663
Services and Supplies	27,090	1,784	--	--	421
Professional Services	58,648	4,614	5	--	5,434
Operating Leases	2,124	--	--	--	164
Insurance Claims and Premiums	293,087	63,902	174,115	852	40,568
Other Charges	368	368	--	--	--
Taxes and Other Fees	8	--	--	--	--
Depreciation	9,868	--	--	--	16
Total Operating Expenses	414,027	70,668	174,120	852	49,266
Operating Income (Loss)	17,481	(3,565)	(506)	(28)	9,292
Nonoperating Revenues					
Intergovernmental Revenues	1,039	1,039	--	--	--
Interest and Investment Income	2,085	335	115	2	604
Gain on Disposition of Capital Assets	345	--	--	--	--
Other Revenue	7,299	4,930	251	--	228
Total Nonoperating Revenues	10,768	6,304	366	2	832
Income (Loss) Before Contributions and Transfers	28,249	2,739	(140)	(26)	10,124
Capital Contributions	424	--	--	--	--
Transfers In	8,649	928	5	--	157
Transfers Out	(337)	--	(108)	(2)	(12)
Change in Net Position	36,985	3,667	(243)	(28)	10,269
Net Position - Beginning of Year	33,530	20,808	7,775	159	(76,699)
Adjustment Due to Change in Accounting Principle	(4,566)	--	--	--	(1,652)
Net Position - Beginning of Year, as Restated	28,964	20,808	7,775	159	(78,351)
Net Position - End of Year	\$ 65,949	\$ 24,475	\$ 7,532	\$ 131	\$ (68,082)

Supplemental Information
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology	
\$ --	\$ --	\$ --	\$ --	\$ 1,581	Operating Revenues
--	--	24,861	4,009	69,239	Use of Money and Property
--	31,719	--	--	--	Charges for Services
--	31,719	24,861	4,009	70,820	Insurance Premiums
					Total Operating Revenues
					Operating Expenses
--	1,553	8,051	1,341	9,226	Salaries and Employee Benefits
--	7,575	9,254	1,253	6,803	Services and Supplies
66	527	2,339	402	45,261	Professional Services
--	173	42	443	1,302	Operating Leases
848	12,802	--	--	--	Insurance Claims and Premiums
--	--	--	--	--	Other Charges
--	--	8	--	--	Taxes and Other Fees
--	--	5,421	48	4,383	Depreciation
914	22,630	25,115	3,487	66,975	Total Operating Expenses
(914)	9,089	(254)	522	3,845	Operating Income (Loss)
					Nonoperating Revenues
--	--	--	--	--	Intergovernmental Revenues
85	468	148	33	295	Interest and Investment Income
--	--	345	--	--	Gain on Disposition of Capital Assets
9	1,336	264	188	93	Other Revenue
94	1,804	757	221	388	Total Nonoperating Revenues
(820)	10,893	503	743	4,233	Income (Loss) Before Contributions and Transfers
--	--	424	--	--	Capital Contributions
--	--	7,559	--	--	Transfers In
--	--	(215)	--	--	Transfers Out
(820)	10,893	8,271	743	4,233	Change in Net Position
8,130	7,961	34,882	1,425	29,089	Net Position - Beginning of Year
--	(242)	(1,149)	(185)	(1,338)	Adjustment Due to Change in Accounting Principle
8,130	7,719	33,733	1,240	27,751	Net Position - Beginning of Year, as Restated
\$ 7,310	\$ 18,612	\$ 42,004	\$ 1,983	\$ 31,984	Net Position - End of Year

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	Insured Health Plans	Life Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 32,359	\$ 1,831	\$ --	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	330,315	65,600	173,614	824	58,558
Payments to Suppliers for Goods and Services	(385,671)	(70,129)	(174,125)	(852)	(42,388)
Payments to Employees for Services	(23,086)	--	--	--	(2,830)
Payments for Interfund Services	(1,203)	(891)	(90)	--	--
Receipts for Interfund Services	70,355	--	--	--	68
Payment for Taxes and Other Fees	(8)	--	--	--	--
Other Operating Receipts	7,299	4,930	251	--	228
Other Operating Payments	(2,546)	(368)	(14)	--	(204)
Net Cash Provided (Used) by Operating Activities	27,814	973	(364)	(28)	13,432
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	8,649	928	5	--	157
Transfers Out	(337)	--	(108)	(2)	(12)
Intergovernmental Revenues	1,039	1,039	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	9,351	1,967	(103)	(2)	145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(12,956)	--	--	--	(53)
Principal Paid on Capital Lease Obligations	(6,900)	--	--	--	--
Proceeds from Sale of Capital Assets	345	--	--	--	--
Net Cash (Used) by Capital and Related Financing Activities	(19,511)	--	--	--	(53)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	1,883	300	115	2	538
Net Cash Provided by Investing Activities	1,883	300	115	2	538
Net Increase (Decrease) in Cash and Cash Equivalents	19,537	3,240	(352)	(28)	14,062
Cash and Cash Equivalents - Beginning of Year	237,663	33,120	7,662	159	76,769
Cash and Cash Equivalents - End of Year	\$ 257,200	\$ 36,360	\$ 7,310	\$ 131	\$ 90,831
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 17,481	\$ (3,565)	\$ (506)	\$ (28)	\$ 9,292
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	9,868	--	--	--	16
Other Revenue	7,299	4,930	251	--	228
(Increases) Decreases In:					
Accounts Receivable, Net of Allowances	(21)	(5)	(13)	--	--
Due from Other Funds	1,721	(860)	(90)	--	67
Due from Other Governmental Agencies	372	333	(1)	--	(40)
Inventory of Materials and Supplies	24	--	--	--	--
Prepaid Costs	(53)	--	--	--	(7)
Deferred Outflows of Resources Related to Pension	(2,735)	--	--	--	(979)
Deferred Outflows of Resources Related to OPEB	43	--	--	--	16
Increases (Decreases) In:					
Accounts Payable	(8,394)	48	(5)	--	(519)
Salaries and Employee Benefits Payable	47	--	--	--	(1)
Due to Other Funds	(1,808)	(31)	--	--	1
Due to Other Governmental Agencies	(11)	--	--	--	--
Insurance Claims Payable	1,588	123	--	--	4,561
Compensated Employee Absences Payable	114	--	--	--	(27)
Net Pension Liability	(747)	--	--	--	(270)
Net OPEB Liability	(394)	--	--	--	(143)
Deferred Inflows of Resources Related to Pension	3,267	--	--	--	1,182
Deferred Inflows of Resources Related to OPEB	153	--	--	--	55
Total Adjustments	10,333	4,538	142	--	4,140
Net Cash Provided (Used) by Operating Activities	\$ 27,814	\$ 973	\$ (364)	\$ (28)	\$ 13,432
Reconciliation of Cash and Cash Equivalents to Statement of Net Position					
Pooled Cash/Investments	\$ 256,817	\$ 35,985	\$ 7,310	\$ 131	\$ 90,831
Cash/Cash Equivalents	375	375	--	--	--
Imprest Cash Funds	8	--	--	--	--
Total Cash and Cash Equivalents	\$ 257,200	\$ 36,360	\$ 7,310	\$ 131	\$ 90,831

Supplemental Information
(Dollar Amounts in Thousands)

Unemployment Insurance	Property & Casualty Risk	Transportation	Reprographics	Information & Technology
\$ --	\$ 9	\$ 24,876	\$ 4,011	\$ 1,632
--	31,719	--	--	--
(1,022)	(23,943)	(12,193)	(1,492)	(59,527)
--	(1,587)	(8,129)	(1,382)	(9,158)
--	(10)	--	(212)	--
--	--	2,633	--	67,654
--	--	(8)	--	--
9	1,336	264	188	93
--	(173)	(42)	(443)	(1,302)
<u>(1,013)</u>	<u>7,351</u>	<u>7,401</u>	<u>670</u>	<u>(608)</u>
--	--	7,559	--	--
--	--	(215)	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>7,344</u>	<u>--</u>	<u>--</u>
--	--	(11,704)	(242)	(957)
--	--	--	--	(6,900)
--	--	345	--	--
<u>--</u>	<u>--</u>	<u>(11,359)</u>	<u>(242)</u>	<u>(7,857)</u>
81	416	126	22	283
<u>81</u>	<u>416</u>	<u>126</u>	<u>22</u>	<u>283</u>
(932)	7,767	3,512	450	(8,182)
9,032	55,385	13,857	3,758	37,921
<u>\$ 8,100</u>	<u>\$ 63,152</u>	<u>\$ 17,369</u>	<u>\$ 4,208</u>	<u>\$ 29,739</u>
\$ (914)	\$ 9,089	\$ (254)	\$ 522	\$ 3,845
--	--	5,421	48	4,383
9	1,336	264	188	93
--	1	6	(4)	(6)
--	(13)	2,639	--	(22)
--	8	9	6	57
--	--	24	--	--
--	(3)	(62)	23	(4)
--	(133)	(700)	(106)	(817)
--	2	11	2	12
13	(61)	(563)	152	(7,459)
--	--	12	1	35
--	3	(6)	(212)	(1,563)
--	--	1	(12)	--
(121)	(2,975)	--	--	--
--	(23)	25	(30)	169
--	(40)	(188)	(30)	(219)
--	(21)	(99)	(16)	(115)
--	173	822	132	958
--	8	39	6	45
<u>(99)</u>	<u>(1,738)</u>	<u>7,655</u>	<u>148</u>	<u>(4,453)</u>
<u>\$ (1,013)</u>	<u>\$ 7,351</u>	<u>\$ 7,401</u>	<u>\$ 670</u>	<u>\$ (608)</u>
\$ 8,100	\$ 63,147	\$ 17,369	\$ 4,208	\$ 29,736
--	--	--	--	--
--	5	--	--	3
<u>\$ 8,100</u>	<u>\$ 63,152</u>	<u>\$ 17,369</u>	<u>\$ 4,208</u>	<u>\$ 29,739</u>

CASH FLOWS FROM OPERATING ACTIVITIES

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

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

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

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

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

CASH FLOW FROM INVESTING ACTIVITIES

Interest on Investments
Net Cash Provided by Investing Activities

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

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

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

Reconciliation of Cash and Cash Equivalents to Statement of Net Position

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations, or other governments. These funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

PRIVATE-PURPOSE TRUST FUNDS

Public Administration Trust Funds

These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds, and decedents' property held for escheatment.

Orange County Redevelopment Successor Agency (Successor Agency)

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with ABx1 26. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The Orange County Redevelopment Successor Agency holds the assets of the dissolved OCDA pending liquidation and distribution.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Extra-Help Defined Benefit Plan

This fund is used to account for the retirement plan for employees working less than half-time or as extra-help. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System (OCERS).

Extra-Help Defined Contribution Plan

This fund is used to account for the defined contribution retirement plan for extra-help and part-time employees. This plan replaced the Extra-Help Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. Effective February 10, 2015, the plan also includes new employees who have attained age 60 at date of hire, who waive membership in OCERS, and do not have funds on deposit with OCERS and otherwise meet the requirements under OCERS' regulations and state law to waive membership in OCERS. The eligible employees of these plans are not covered by OCERS.

401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established in January 1999 for eligible employees, including the members of the Board, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the plan, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan was closed to the attorneys effective June 24, 2005. The plan was closed to new administrative managers and to all grandfathered administrative managers, effective June 23, 2016 and December 28, 2012, respectively.

1.62% at 65 Retirement, 401(a) Defined Contribution Plan

This fund is used to account for the matching 401(a) employer contributions for eligible employees in the "1.62% at 65" Retirement (OCERS) formula who voluntarily contribute to the "1.62% at 65" Retirement, 457(b) defined contribution plan. The Plan was established on May 7, 2010.

Retiree Medical Plan (Combined 401h and 115 Trust)

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust (Trust) which was established effective July 2, 2007. The Trust was established exclusively for the Retiree Medical Plan (Plan) which is multi-employer other postemployment benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document. The Trust and the 401(h) account with OCERS represents the Plan reported here. The Plan is reported as of December 31.

Health Reimbursement Arrangement (HRA) Plan

This fund is used to account for the employer contributions to the HRA, a defined contribution plan, which became effective on June 24, 2008 for eligible employees, including employees represented by the Association of Orange County Deputy Sheriffs and Law Enforcement Management employees as defined in the plan document. The HRA was amended and restated on June 1, 2016 to provide for the transition of the Orange County Attorney's Association to the HRA Plan in July 2016.

AGENCY FUNDS

Unapportioned Tax and Interest Funds

This group of funds is used to account for the collection of property taxes, and later distribution of such taxes, as well as the interest earned on them. Included are taxes collected by the County for other governmental units using the County treasury, as well as governmental units not using the County treasury, such as cities.

Departmental Funds

This group of funds is used by certain County officers to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these funds by checks issued by the County Auditor-Controller upon requisition of the responsible officer.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 61,485	\$ 56,280	\$ 5,205
Restricted Cash and Investments			
Restricted Investments with Trustee	4,675	--	4,675
Receivables			
Interest/Dividends	259	226	33
Due from Other Governmental Agencies	1	--	1
Land and Improvements Held for Resale	133	--	133
Total Assets	<u>66,553</u>	<u>56,506</u>	<u>10,047</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	273	--	273
Total Deferred Outflows of Resources	<u>273</u>	<u>--</u>	<u>273</u>
<u>LIABILITIES</u>			
Bonds Payable	22,247	--	22,247
Interest Payable	290	--	290
Due to Other Governmental Agencies	412	396	16
Total Liabilities	<u>22,949</u>	<u>396</u>	<u>22,553</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	97	--	97
Total Deferred Inflows of Resources	<u>97</u>	<u>--</u>	<u>97</u>
<u>NET POSITION</u>			
Restricted for Private-Purpose Trust Funds	43,780	56,110	(12,330)
Net Position (Deficit)	<u>\$ 43,780</u>	<u>\$ 56,110</u>	<u>\$ (12,330)</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Total	Public Administration Trust Funds	Orange County Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	\$ 69,958	\$ 69,958	\$ --
Intergovernmental Revenues	5,059	--	5,059
Other Revenues	910	--	910
Interest and Investment Income	458	304	154
Less: Investment Expense	(36)	(30)	(6)
Total Additions	<u>76,349</u>	<u>70,232</u>	<u>6,117</u>
Deductions:			
Distributions from Private-Purpose Trust	68,094	68,094	--
Professional Services	95	--	95
Tax Pass-Throughs	5,142	--	5,142
Interest Expense	743	--	743
Total Deductions	<u>74,074</u>	<u>68,094</u>	<u>5,980</u>
Change in Net Position	2,275	2,138	137
Net Position (Deficit), Beginning of Year	41,505	53,972	(12,467)
Net Position (Deficit), End of Year	<u>\$ 43,780</u>	<u>\$ 56,110</u>	<u>\$ (12,330)</u>

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 2,742	\$ 545	\$ --	\$ --
Restricted Cash and Investments				
Restricted Investments with Trustee	151,576	6,057	7,957	16,489
Pooled with OCERS	289,352	--	--	--
Receivables				
Investments	3,926	--	--	--
Interest/Dividends	24	--	--	--
Due from Other Governmental Agencies	1,768	--	25	24
Total Assets	<u>449,388</u>	<u>6,602</u>	<u>7,982</u>	<u>16,513</u>
<u>LIABILITIES</u>				
Salaries and Employee Benefits Payable	<u>3,059</u>	--	--	--
Total Liabilities	<u>3,059</u>	--	--	--
<u>NET POSITION</u>				
Restricted for Pension and OPEB Benefits	446,329	6,602	7,982	16,513
Net Position	<u>\$ 446,329</u>	<u>\$ 6,602</u>	<u>\$ 7,982</u>	<u>\$ 16,513</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts) *	Health Reimbursement Arrangement Plan
\$ 1	\$ 2,150	\$ 46
4,670	--	116,403
--	289,352	--
--	3,926	--
--	24	--
43	1,412	264
<u>4,714</u>	<u>296,864</u>	<u>116,713</u>
--	3,059	--
<u>--</u>	<u>3,059</u>	<u>--</u>
4,714	293,805	116,713
<u>\$ 4,714</u>	<u>\$ 293,805</u>	<u>\$ 116,713</u>

ASSETS

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

LIABILITIES

Salaries and Employee Benefits Payable
Total Liabilities

NET POSITION

Restricted for Pension and OPEB Benefits
Net Position

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
Additions:				
Contributions to Pension and Other Employee Benefits Trust:				
Employer	\$ 75,388	\$ 545	\$ --	\$ 1,042
Employee	3,034	--	841	--
Other Revenues	3	3	--	--
Interest and Investment Income	45,381	295	164	1,180
Less: Investment Expense	(740)	(7)	(9)	(17)
Total Additions	<u>123,066</u>	<u>836</u>	<u>996</u>	<u>2,205</u>
Deductions:				
Benefits Paid to Participants	40,282	762	887	1,195
Professional Services	18	--	--	--
Total Deductions	<u>40,300</u>	<u>762</u>	<u>887</u>	<u>1,195</u>
Change in Net Position	82,766	74	109	1,010
Net Position, Beginning of Year	401,559	6,528	7,873	15,503
Adjustment Due to Change in Accounting Principle	(37,996)	--	--	--
Net Position, Beginning of Year, as Restated	<u>363,563</u>	<u>6,528</u>	<u>7,873</u>	<u>15,503</u>
Net Position, End of Year	<u>\$ 446,329</u>	<u>\$ 6,602</u>	<u>\$ 7,982</u>	<u>\$ 16,513</u>

1.62% at 65 Retirement, 401(a) Defined Contribution Plan	Retiree Medical Plan (Combined 401(h) and 115 Trusts)*	Health Reimbursement Arrangement Plan	
\$ 1,662	\$ 60,721	\$ 11,418	Additions:
--	2,193	--	Contributions to Pension and Other Employee Benefits Trust:
--	--	--	Employer
289	34,217	9,236	Employee
(8)	(4)	(695)	Other Revenues
1,943	97,127	19,959	Interest and Investment Income
			Less: Investment Expense
			Total Additions
--	35,111	2,327	
--	18	--	Deductions:
--	35,129	2,327	Benefits Paid to Participants
			Administrative Expense
			Total Deductions
1,943	61,998	17,632	Change in Net Position
2,771	269,803	99,081	Net Position, Beginning of Year
--	(37,996)	--	Adjustment Due to Change in Accounting Principle
2,771	231,807	99,081	Net Position, Beginning of Year, as Restated
\$ 4,714	\$ 293,805	\$ 116,713	Net Position, End of Year

* The Trust Plan is presented as of 12/31/17

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

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 329,579	\$ 166,968	\$ 162,611
Cash/Cash Equivalents	244	--	244
Restricted Cash and Investments with Trustee	41,482	--	41,482
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	56,160	--	56,160
Receivables			
Accounts	560	--	560
Taxes	307,035	307,035	--
Interest/Dividends	20,921	20,451	470
Allowance For Uncollectible Receivables	(186,777)	(186,776)	(1)
Due from Other Governmental Agencies	6,983	274	6,709
Notes Receivable	28,994	--	28,994
Total Assets	<u>606,263</u>	<u>307,952</u>	<u>298,311</u>
<u>LIABILITIES</u>			
Interest Payable	16,184	16,184	--
Deposits from Others	23,865	--	23,865
Monies Held for Others	198,352	--	198,352
Due to Other Governmental Agencies	76,094	--	76,094
Unapportioned Taxes	291,768	291,768	--
Total Liabilities	<u>606,263</u>	<u>307,952</u>	<u>298,311</u>
<u>NET POSITION</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

**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
ASSETS				
Pooled Cash/Investments	\$ 191,591	\$ 8,982,182	\$ 9,006,805	\$ 166,968
Taxes	302,964	18,860,146	18,856,075	307,035
Interest/Dividends	11,833	117,163	108,545	20,451
Allowance for Uncollectible Receivables	(179,588)	--	7,188	(186,776)
Due from Other Governmental Agencies	340	15,546	15,612	274
Total Assets	<u>\$ 327,140</u>	<u>\$ 27,975,037</u>	<u>\$ 27,994,225</u>	<u>\$ 307,952</u>
LIABILITIES				
Interest Payable	\$ 9,907	\$ 57,359	\$ 51,082	\$ 16,184
Due to Other Governmental Agencies	2	77,816	77,818	--
Unapportioned Taxes	317,231	12,094,021	12,119,484	291,768
Total Liabilities	<u>\$ 327,140</u>	<u>\$ 12,229,196</u>	<u>\$ 12,248,384</u>	<u>\$ 307,952</u>
DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 161,225	\$ 3,563,096	\$ 3,561,710	\$ 162,611
Cash/Cash Equivalents	206	70	32	244
Restricted Cash and Investments with Trustee	38,313	520,343	517,174	41,482
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	54,565	1,654	59	56,160
Receivables				
Accounts	475	709	624	560
Interest/Dividends	312	1,807	1,649	470
Allowance for Uncollectible Receivables	(1)	--	--	(1)
Due from Other Governmental Agencies	2,841	753,447	749,579	6,709
Prepaid Costs	--	9,610	9,610	--
Notes Receivable	29,431	--	437	28,994
Total Assets	<u>\$ 288,449</u>	<u>\$ 4,850,736</u>	<u>\$ 4,840,874</u>	<u>\$ 298,311</u>
LIABILITIES				
Deposits From Others	\$ 18,457	\$ 35,791	\$ 30,383	\$ 23,865
Monies Held for Others	203,981	5,776,460	5,782,089	198,352
Due to Other Governmental Agencies	66,011	1,319,138	1,309,055	76,094
Total Liabilities	<u>\$ 288,449</u>	<u>\$ 7,131,389</u>	<u>\$ 7,121,527</u>	<u>\$ 298,311</u>

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 352,816	\$ 12,545,278	\$ 12,568,515	\$ 329,579
Cash/Cash Equivalents	206	70	32	244
Restricted Cash and Investments with Trustee	38,313	520,343	517,174	41,482
Investments	1,082	--	--	1,082
Deposits In-Lieu of Cash	54,565	1,654	59	56,160
Receivables				
Accounts	475	709	624	560
Taxes	302,964	18,860,146	18,856,075	307,035
Interest/Dividends	12,145	118,970	110,194	20,921
Allowance for Uncollectible Receivables	(179,589)	--	7,188	(186,777)
Due from Other Governmental Agencies	3,181	768,993	765,191	6,983
Prepaid Costs	--	9,610	9,610	--
Notes Receivable	29,431	--	437	28,994
Total Assets	<u>\$ 615,589</u>	<u>\$ 32,825,773</u>	<u>\$ 32,835,099</u>	<u>\$ 606,263</u>
<u>LIABILITIES</u>				
Interest Payable	\$ 9,907	\$ 57,359	\$ 51,082	\$ 16,184
Deposits from Others	18,457	35,791	30,383	23,865
Monies Held for Others	203,981	5,776,460	5,782,089	198,352
Due to Other Governmental Agencies	66,013	1,396,954	1,386,873	76,094
Unapportioned Taxes	317,231	12,094,021	12,119,484	291,768
Total Liabilities	<u>\$ 615,589</u>	<u>\$ 19,360,585</u>	<u>\$ 19,369,911</u>	<u>\$ 606,263</u>





STATISTICAL SECTION
(UNAUDITED)

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

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	202
<u>Revenue Capacity</u>	
These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	214
<u>Debt Capacity</u>	
These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	219
<u>Economic and Demographic Information</u>	
These schedules offer economic and demographic indicators to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	224
<u>Operating Information</u>	
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	226

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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

	Fiscal Year				
	2017-18	2016-17 ⁽³⁾	2015-16	2014-15	2013-14 ⁽³⁾
Governmental Activities					
Net Investment in Capital Assets	\$ 3,031,574	\$ 2,813,296	\$ 2,707,493	\$ 2,670,577	\$ 2,646,812
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	135,485	125,876	111,639	112,544	109,986
Capital Projects	123,245	164,400	10,836	6,154	8,661
Debt Service	25,792	33,409	36,380	37,734	37,639
Legally Segregated for Grants and Other Purposes	1,148,735	1,192,827	1,103,257	1,045,897	1,190,106
Regional Park Endowment	148	145	144	141	140
Nonexpendable					
Regional Park Endowment	200	196	193	188	185
Unrestricted	(3,312,306)	(3,074,958)	(2,979,945)	(2,991,814)	331,408
Total Governmental Activities Net Position	\$ 1,152,873	\$ 1,255,191	\$ 989,997	\$ 881,421	\$ 4,324,937
Business-Type Activities					
Net Investment in Capital Assets	799,668	\$ 708,286	\$ 663,280	\$ 642,427	\$ 624,621
Restricted for:					
Expendable					
Debt Service	8,672	36,181	8,499	7,324	7,090
Passenger Facility Charges					
Approved Capital Projects	12,044	2,775	14,705	70,538	62,522
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	26,655	28,962	33,997	33,337	37,412
Landfill Corrective Action	8,358	8,278	8,245	8,174	7,141
Wetland	879	879	879	879	879
Prima Deshecha/La Pata Closure	104	104	104	104	104
Airport ⁽²⁾	--	--	--	--	--
Waste Management ⁽²⁾	--	--	--	--	--
Unrestricted	454,482	463,495	465,003	362,546	384,871
Total Business-Type Activities Net Position	\$ 1,311,862	\$ 1,249,960	\$ 1,195,712	\$ 1,126,329	\$ 1,125,640

- Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
- (2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
- (3) The balances shown have not been restated to include the prior period adjustments.

Fiscal Year					
2012-13	2011-12 ⁽³⁾	2010-11	2009-10	2008-09	
\$ 2,563,976	\$ 2,699,809	\$ 2,626,281	\$ 2,560,468	\$ 2,445,397	Governmental Activities
					Net Investment in Capital Assets
					Restricted for:
					Expendable
--	-- ⁽¹⁾	41,609	43,580	57,322	OPEB
105,900	96,604	107,807	--	--	Pension Benefits
11,904	16,269	56,219	58,947	85,197	Capital Projects
31,965	--	87,253	76,936	66,515	Debt Service
					Legally Segregated for Grants
1,174,791	1,077,117	1,133,256	1,069,801	1,047,284	and Other Purposes
139	--	--	--	--	Regional Park Endowment
					Nonexpendable
183	319	315	154	149	Regional Park Endowment
196,850	37,790	(73,741)	(9,986)	(1,271)	Unrestricted
<u>\$ 4,085,708</u>	<u>\$ 3,927,908</u>	<u>\$ 3,978,999</u>	<u>\$ 3,799,900</u>	<u>\$ 3,700,593</u>	Total Governmental Activities Net Position
					Business-Type Activities
\$ 587,934	\$ 574,982	\$ 591,664	\$ 537,375	\$ 493,658	Net Investment in Capital Assets
					Restricted for:
					Expendable
58,772	--	--	--	--	Debt Service
	--	--	--	--	Passenger Facility Charges
55,331	--	--	--	--	Approved Capital Projects
1,000	--	--	--	--	Replacements and Renewals
40,355	--	--	--	--	Landfill Closure/Postclosure
6,109	--	--	--	--	Landfill Corrective Action
879	--	--	--	--	Wetland
104	--	--	--	--	Prima Deshecha/La Pata Closure
--	58,149	50,899	48,225	176,225	Airport ⁽²⁾
--	82,205	84,070	86,943	284,943	Waste Management ⁽²⁾
335,122	350,474	313,568	321,778	--	Unrestricted
<u>\$ 1,085,606</u>	<u>\$ 1,065,810</u>	<u>\$ 1,040,201</u>	<u>\$ 994,321</u>	<u>\$ 954,826</u>	Total Business-Type Activities Net Position

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

	Fiscal Year				
	2017-18	2016-17 ⁽³⁾	2015-16	2014-15	2013-14 ⁽³⁾
Primary Government					
Net Investment in Capital Assets	\$ 3,831,242	\$ 3,521,582	\$ 3,370,773	\$ 3,313,004	\$ 3,271,433
Restricted for:					
Expendable					
OPEB	--	--	--	--	--
Pension Benefits	135,485	125,876	111,639	112,544	109,986
Capital Projects	123,245	164,400	10,836	6,154	8,661
Debt Service	34,464	69,590	44,879	45,058	44,729
Legally Segregated for Grants and Other Purposes	1,148,735	1,192,827	1,103,257	1,045,897	1,190,106
Regional Park Endowment	148	145	144	141	140
Passenger Facility Charges					
Approved Capital Projects	12,044	2,775	14,705	70,538	62,522
Replacements and Renewals	1,000	1,000	1,000	1,000	1,000
Landfill Closure/Postclosure	26,655	28,962	33,997	33,337	37,412
Landfill Corrective Action	8,358	8,278	8,245	8,174	7,141
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	200	196	193	188	185
Unrestricted	(2,857,824)	(2,611,463)	(2,514,942)	(2,629,268)	716,279
Total Primary Government Net Position	\$ 2,464,735	\$ 2,505,151	\$ 2,185,709	\$ 2,007,750	\$ 5,450,577

- Notes: (1) In FY 2011-12, it was determined that the Restricted Net Position for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.
- (2) Starting in FY 2012-13, Restricted Net Position for Business-Type Activities will be shown by activity detail.
- (3) The balances shown have not been restated to include the prior period adjustments.

Fiscal Year						
2012-13	2011-12 ⁽³⁾	2010-11	2009-10	2008-09		
\$ 3,151,910	\$ 3,274,791	\$ 3,217,945	\$ 3,097,843	\$ 2,939,055	Primary Government	
					Net Investment in Capital Assets	
					Restricted for:	
					Expendable	
--	-- (1)	41,609	43,580	57,322	OPEB	
105,900	96,604	107,807	--	--	Pension Benefits	
11,904	16,269	56,219	58,947	85,197	Capital Projects	
90,737	--	87,253	76,936	66,515	Debt Service	
					Legally Segregated for Grants	
1,174,791	1,077,117	1,133,256	1,069,801	1,047,284	and Other Purposes	
139	--	--	--	--	Regional Park Endowment	
					Passenger Facility Charges	
55,331	--	--	--	--	Approved Capital Projects	
1,000	--	--	--	--	Replacements and Renewals	
40,355	--	--	--	--	Landfill Closure/Postclosure	
6,109	--	--	--	--	Landfill Corrective Action	
879	--	--	--	--	Wetland	
104	--	--	--	--	Prima Deshecha/La Pata Closure	
--	58,149	50,899	48,225	176,225	Airport ⁽²⁾	
--	82,205	84,070	86,943	284,943	Waste Management ⁽²⁾	
					Nonexpendable	
183	319	315	154	149	Regional Park Endowment	
531,972	388,264	239,827	311,792	(1,271)	Unrestricted	
<u>\$ 5,171,314</u>	<u>\$ 4,993,718</u>	<u>\$ 5,019,200</u>	<u>\$ 4,794,221</u>	<u>\$ 4,655,419</u>	Total Primary Government Net Position	

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

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

	Fiscal Year				
	2017-18	2016-17 ⁽¹⁾	2015-16	2014-15	2013-14 ⁽¹⁾
Expenses					
Governmental Activities:					
General Government	\$ 196,233	\$ 186,340	\$ 203,394	\$ 191,793	\$ 131,026
Public Protection	1,475,626	1,485,137	1,433,421	1,326,028	1,261,984
Public Ways and Facilities	151,779	97,928	142,071	114,398	127,561
Health and Sanitation	656,234	593,617	554,872	537,580	626,063
Public Assistance	1,102,747	1,097,327	1,097,129	1,049,665	988,735
Education	48,412	44,510	46,170	43,314	41,240
Recreation and Cultural Services	123,798	112,749	115,136	102,069	96,820
Interest on Long-Term Debt	25,741	17,544	20,112	23,560	28,028
Subtotal Governmental Activities	3,780,570	3,635,152	3,612,305	3,388,407	3,301,457
Business-Type Activities:					
Airport	124,466	125,522	120,921	124,778	120,731
Waste Management	125,472	105,149	96,301	69,307	94,161
Compressed Natural Gas	299	367	283	331	379
Subtotal Business-Type Activities	250,237	231,038	217,505	194,416	215,271
Total Primary Government Expenses	\$ 4,030,807	\$ 3,866,190	\$ 3,829,810	\$ 3,582,823	\$ 3,516,728
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	\$ 43,104	\$ 41,988	\$ 34,048	\$ 36,924	\$ 32,016
Public Protection	355,850	307,630	288,185	286,644	273,215
Public Ways and Facilities	55,544	67,796	63,487	53,834	53,071
Health and Sanitation	112,715	117,170	85,392	102,599	93,470
Public Assistance	38,741	40,589	37,975	37,650	42,300
Education	1,237	1,274	1,426	1,480	2,059
Recreation and Cultural Services	49,892	47,763	46,937	43,882	39,251
Operating Grants and Contributions	2,175,087	2,067,777	2,037,311	1,996,861	2,033,550
Capital Grants and Contributions	123,575	113,481	105,776	33,241	54,478
Subtotal Governmental Activities Program Revenues	2,955,745	2,805,468	2,700,537	2,593,115	2,623,410
Business-Type Activities:					
Charges for Services					
Airport	152,551	150,260	149,894	141,563	136,359
Waste Management	162,273	153,842	147,130	139,493	125,106
Compressed Natural Gas	266	248	269	312	392
Operating Grants and Contributions	272	69	171	255	900
Capital Grants and Contributions	4,829	1,828	2,174	9,215	5,277
Subtotal Business-Type Activities Program Revenues	320,191	306,247	299,638	290,838	268,034
Total Primary Government Program Revenues	\$ 3,275,936	\$ 3,111,715	\$ 3,000,175	\$ 2,883,953	\$ 2,891,444

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

Fiscal Year				
2012-13	2011-12 ⁽¹⁾	2010-11	2009-10	2008-09
\$ 221,110	\$ 161,615	\$ 223,710	\$ 165,489	\$ 268,092
1,264,354	1,231,925	1,174,859	1,160,823	1,230,894
137,651	144,382	136,017	120,135	108,748
621,381	593,657	586,525	578,983	593,331
944,230	930,348	931,263	931,469	898,668
38,548	41,226	39,788	41,009	
101,232	102,762	101,993	90,649	81,896
31,269	56,765	53,806	53,782	59,751
3,359,775	3,262,680	3,247,961	3,142,339	3,241,380

122,568	107,120	88,059	92,068	91,959
94,737	94,553	93,985	84,754	79,374
305	306	349	95	--
217,610	201,979	182,393	176,917	171,333
\$ 3,577,385	\$ 3,464,659	\$ 3,430,354	\$ 3,319,256	\$ 3,412,713

Expenses

Governmental Activities:

General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Interest on Long-Term Debt
Subtotal Governmental Activities

Business-Type Activities:

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

\$ 32,127	\$ 26,942	\$ 33,561	\$ 27,452	\$ 44,782
283,031	271,423	310,773	278,355	289,014
39,981	62,653	53,960	45,809	47,283
81,039	86,027	93,815	86,430	82,059
34,780	35,036	36,304	30,914	26,636
1,327	1,437	1,576	1,449	1,338
39,637	38,888	37,560	38,223	40,138
1,904,858	1,800,296	1,706,231	1,741,762	1,641,501
62,893	39,010	170,516	16,828	94,031
2,479,673	2,361,712	2,444,296	2,267,222	2,266,782

132,941	129,213	124,298	126,656	125,095
106,876	99,249	102,595	82,442	93,456
385	293	242	129	--
200	212	657	1,432	171
3,839	5,216	6,544	8,077	7,466
244,241	234,183	234,336	218,736	226,188
\$ 2,723,914	\$ 2,595,895	\$ 2,678,632	\$ 2,485,958	\$ 2,492,970

Program Revenues

Governmental Activities:

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

Business-Type Activities:

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

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

	Fiscal Year				
	2017-18	2016-17 ⁽³⁾	2015-16	2014-15	2013-14 ⁽³⁾
Net (Expense)/Revenue					
Governmental Activities	\$ (824,825)	\$ (829,684)	\$ (911,768)	\$ (795,292)	\$ (678,047)
Business-Type Activities	69,954	75,209	82,133	96,422	52,763
Total Primary Government (Expense)	<u>\$ (754,871)</u>	<u>\$ (754,475)</u>	<u>\$ (829,635)</u>	<u>\$ (698,870)</u>	<u>\$ (625,284)</u>
General Revenue and Other					
Changes in Net Position					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 305,296	\$ 287,212	\$ 311,902	\$ 328,500	\$ 277,591
Property Taxes, Levied for Flood Control District	104,798	98,563	82,193	77,090	72,737
Property Taxes, Levied for OC Parks	81,206	76,493	61,048	57,266	54,042
Property Taxes, Levied for OC Public Libraries	51,166	47,804	45,364	42,333	39,734
Property Tax Increments ⁽²⁾	--	--	--	--	--
Property Taxes in-Lieu of Motor Vehicle License Fees	372,728	351,011	333,595	314,957	295,798
Other Taxes	99,889	98,216	78,184	71,613	73,178
Grants and Contributions Not Restricted to Specific Programs	10,757	8,434	4,583	49,476	14,192
State Allocation of Motor Vehicle License Fees	1,615	1,234	1,100	764	895
Unrestricted Investment Earnings	19,389	19,760	17,032	6,796	18,459
Miscellaneous	71,164	80,229	63,825	69,789	54,412
Gain on Sale of Capital Assets	--	--	--	--	--
Transfers	10,767	25,922	21,518	19,959	17,557
Subtotal Governmental Activities	<u>1,128,775</u>	<u>1,094,878</u>	<u>1,020,344</u>	<u>1,038,543</u>	<u>918,595</u>
Extraordinary Gain/(Loss) Dissolution of OCDA ⁽¹⁾	--	--	--	--	--
Business-Type Activities:					
Other Taxes	82	78	72	109	101
Unrestricted Investment Earnings	7,695	3,497	6,526	3,042	3,064
Miscellaneous Revenues	1,830	1,386	2,170	1,597	3,177
Transfers	(10,767)	(25,922)	(21,518)	(19,959)	(17,557)
Subtotal Business-Type Activities	<u>(1,160)</u>	<u>(20,961)</u>	<u>(12,750)</u>	<u>(15,211)</u>	<u>(11,215)</u>
Total Primary Government General Revenue and Other Charges	<u>1,127,615</u>	<u>1,073,917</u>	<u>\$ 1,007,594</u>	<u>\$ 1,023,332</u>	<u>\$ 907,380</u>
Change in Net Position					
Governmental Activities	\$ 303,950	\$ 265,194	\$ 108,576	\$ 243,251	\$ 240,548
Business-Type Activities	68,794	54,248	69,383	81,211	41,548
Total Primary Government	<u>\$ 372,744</u>	<u>\$ 319,442</u>	<u>\$ 177,959</u>	<u>\$ 324,462</u>	<u>\$ 282,096</u>

Notes: (1) Extraordinary item results from dissolution of OCDA which is now reported as a private-purpose trust fund.
(2) Starting in FY 2012-13, there were no property tax increment revenues due to dissolution of OCDA.
(3) The balances shown have not been restated to include prior period adjustments.

Fiscal Year				
2012-13 ⁽³⁾	2011-12	2010-11	2009-10	2008-09
\$ (880,102)	\$ (900,968)	\$ (803,665)	\$ (875,117)	\$ (1,015,863)
26,631	32,204	51,943	41,819	54,855
\$ (853,471)	\$ (868,764)	\$ (751,722)	\$ (833,298)	\$ (961,008)
\$ 313,299	\$ 311,779	\$ 298,953	\$ 290,054	\$ 263,893
69,321	68,184	73,260	67,103	68,747
51,550	51,168	51,554	49,857	51,076
37,961	37,389	37,590	37,057	37,932
--	18,308	30,755	31,917	35,276
309,745	303,955	228,421	229,635	232,760
108,430	43,568	83,938	93,024	94,184
6,711	9,377	27,457	10,299	27,637
1,659	2,667	49,889	46,697	50,390
11,559	4,195	23,703	15,541	13,583
48,478	57,125	64,563	54,496	49,438
--	34	--	--	--
10,276	11,767	12,681	11,188	14,129
968,989	919,516	982,764	936,868	939,045
1,800	(69,639)	--	--	--
93	134	--	--	--
2,113	3,530	5,509	6,411	17,332
1,235	1,508	1,109	2,453	786
(10,276)	(11,767)	(12,681)	(11,188)	(14,129)
(6,835)	(6,595)	(6,063)	(2,324)	3,989
\$ 963,954	\$ 843,282	\$ 976,701	\$ 934,544	\$ 943,034
\$ 90,687	\$ (51,091)	\$ 179,099	\$ 61,751	\$ (76,818)
19,796	25,609	45,880	39,495	58,844
\$ 110,483	\$ (25,482)	\$ 224,979	\$ 101,246	\$ (17,974)

Net (Expense)/Revenue

Governmental Activities
Business-Type Activities
Total Primary Government (Expense)

General Revenue and Other

Changes in Net Position

Governmental Activities:

Taxes

Property Taxes, Levied for General Fund
Property Taxes, Levied for
Flood Control District
Property Taxes, Levied for OC Parks
Property Taxes, Levied for
OC Public Libraries
Property Tax Increments ⁽²⁾
Property Taxes in-Lieu of
Motor Vehicle License Fees
Other Taxes

Grants and Contributions Not Restricted
to Specific Programs

State Allocation of Motor

Vehicle License Fees

Unrestricted Investment Earnings

Miscellaneous

Gain on Sale of Capital Assets

Transfers

Subtotal Governmental Activities

Extraordinary Gain/(Loss)

Dissolution of OCDA ⁽¹⁾

Business-Type Activities:

Other Taxes

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers

Subtotal Business-Type Activities

Total Primary Government General

Revenue and Other Charges

Change in Net Position

Governmental Activities

Business-Type Activities

Total Primary Government

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

	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
General Fund					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	--	--	--	--	--
Nonspendable ⁽¹⁾	378,418	372,572	331,889	336,606	321,022
Restricted ⁽¹⁾	31,815	39,581	49,230	31,486	42,028
Assigned ⁽¹⁾	179,119	265,293	321,064	269,529	153,336
Unassigned ⁽¹⁾	219,426	73,446	25,655	26,887	--
Total General Fund	\$ 808,778	\$ 750,892	\$ 727,838	\$ 664,508	\$ 516,386
All Other Governmental Funds					
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved, Reported in:					
Special Revenue Funds	--	--	--	--	--
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Nonspendable ⁽¹⁾	21,505	21,697	20,501	21,296	21,207
Restricted ⁽¹⁾	1,492,269	1,635,408	1,479,405	1,417,122	1,362,102
Assigned ⁽¹⁾	176,953	170,472	129,782	83,765	67,929
Unassigned ⁽¹⁾	--	--	--	--	--
Total All Other Governmental Funds	\$ 1,690,727	\$ 1,827,577	\$ 1,629,688	\$ 1,522,183	\$ 1,451,238

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

Fiscal Year				
2012-13 ⁽²⁾	2011-12	2010-11	2009-10	2008-09
\$ --	\$ --	\$ --	\$ 53,190	\$ 49,423
--	--	--	215,094	238,621
263,446	225,460	266,328	--	--
34,679	26,336	10,872	--	--
68,157	100,448	1,394	--	--
78,264	990	--	--	--
\$ 444,546	\$ 353,234	\$ 278,594	\$ 268,284	\$ 288,044

General Fund

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

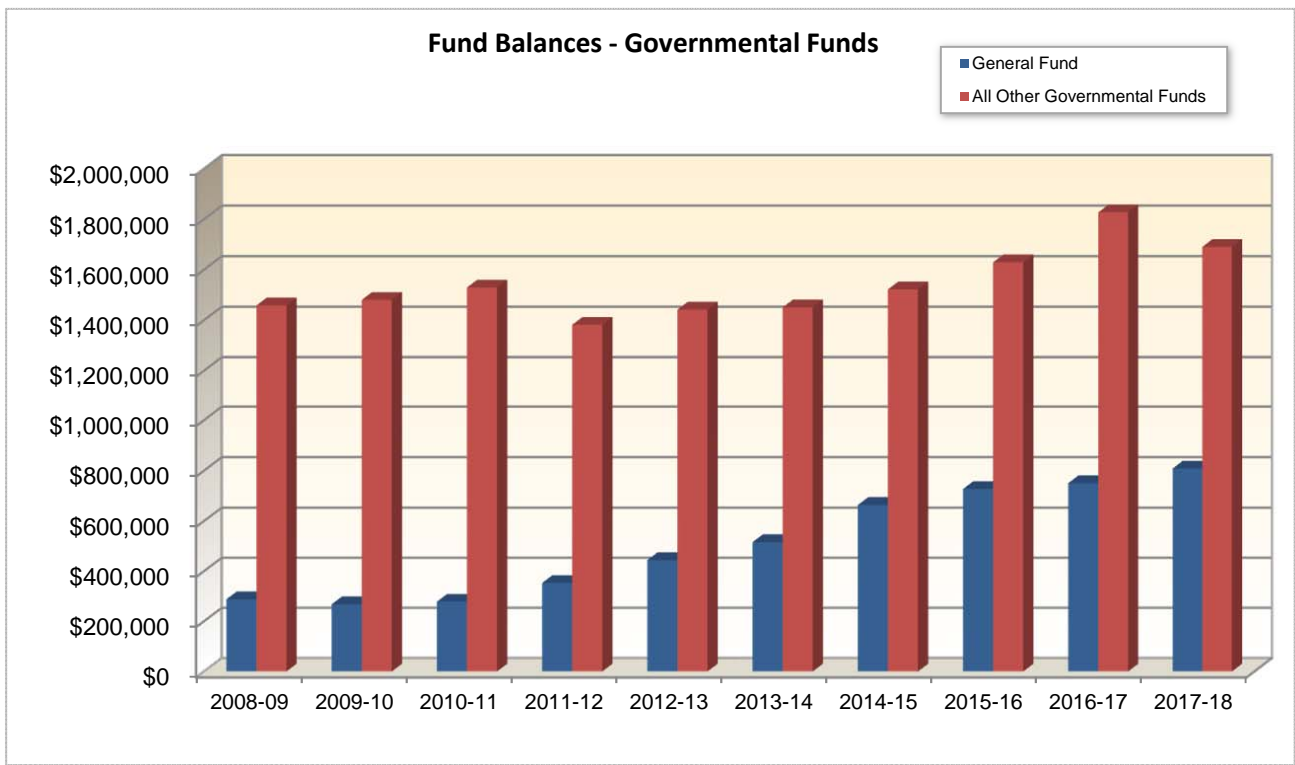
Total General Fund

\$ --	\$ --	\$ --	\$ 540,745	\$ 517,375
--	--	--	894,148	878,113
--	--	--	(1,813)	(9,903)
--	--	--	47,362	73,045
--	--	--	154	149
18,929	23,057	20,802	--	--
1,357,556	1,318,071	1,482,755	--	--
65,556	43,900	34,173	--	--
--	(3,016)	(8,074)	--	--
\$ 1,442,041	\$ 1,382,012	\$ 1,529,656	\$ 1,480,596	\$ 1,458,779

All Other Governmental Funds

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

Total All Other Governmental Funds



**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Basis of Accounting)**

	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
Revenues					
Taxes	\$ 982,742	\$ 923,561	\$ 876,808	\$ 822,511	\$ 778,936
Licenses, Permits, and Franchises	28,142	28,209	27,659	24,583	24,920
Fines, Forfeitures, and Penalties	69,858	96,950	61,669	108,115	62,081
Use of Money and Property	85,694	68,498	88,211	73,700	63,611
Intergovernmental	2,232,699	2,172,013	2,125,136	2,064,354	2,070,245
Charges for Services	567,464	530,883	466,659	480,023	470,899
Other	78,707	63,949	69,436	71,207	54,406
Total Revenues	4,045,306	3,884,063	3,715,578	3,644,493	3,525,098
Expenditures					
General Government	295,157	267,663	261,387	212,805	172,195
Public Protection	1,441,435	1,401,694	1,289,902	1,230,878	1,194,069
Public Ways and Facilities	135,056	97,169	123,140	102,732	127,506
Health and Sanitation	649,064	578,772	527,482	515,560	621,891
Public Assistance	1,094,675	1,073,964	1,061,647	1,030,404	972,156
Education	46,842	42,564	43,928	41,949	40,008
Recreation and Cultural Services	117,965	106,356	100,381	98,001	98,388
Capital Outlay	259,797	176,308	116,569	102,863	125,781
Debt Service					
Principal Retirement	108,997	100,119	126,319	104,756	111,486
Interest	36,273	47,089	43,039	31,513	35,107
Debt Issuance Costs	--	--	--	--	200
Total Expenditures	4,185,261	3,891,698	3,693,794	3,471,461	3,498,787
Excess (Deficit) of Revenues Over Expenditures	(139,955)	(7,635)	21,784	173,032	26,311
Other Financing Sources (Uses)					
Transfers In	505,092	653,593	396,952	338,055	294,374
Transfers Out	(502,637)	(631,891)	(387,373)	(323,604)	(279,287)
Debt Issued	58,489	31,536	127,494	31,541	39,639
Premium on Debt Issued	--	--	11,724	--	--
Principal Payment on Demand Bonds	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow for Resale	--	--	--	--	--
Capital Leases	47	--	254	43	--
Loan Proceeds	--	175,340	--	--	--
Total Other Financing Sources	60,991	228,578	149,051	46,035	54,726
Extraordinary Gain/(Loss)	--	--	--	--	--
Net Change in Fund Balances	\$ (78,964)	\$ 220,943	\$ 170,835	\$ 219,067	\$ 81,037
Debt Service as a Percentage of Noncapital Expenditures:	3.70%	3.97%	4.73%	4.04%	4.34%

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

Fiscal Year				
2012-13	2011-12 ⁽¹⁾	2010-11	2009-10	2008-09
\$ 854,587	\$ 784,797	\$ 738,109	\$ 741,850	\$ 727,159
15,213	18,046	16,831	14,976	17,965
79,267	80,180	93,461	102,959	112,882
58,441	81,088	89,514	88,350	69,667
1,940,687	1,846,311	1,745,066	1,769,253	1,697,017
439,224	435,920	478,916	418,373	443,456
77,464	66,920	64,125	65,727	89,064
3,464,883	3,313,262	3,226,022	3,201,488	3,157,210
186,145	170,156	207,193	211,434	277,369
1,157,676	1,125,831	1,068,267	1,054,947	1,117,882
112,294	126,809	110,789	106,985	110,548
611,369	580,791	576,793	559,315	576,964
932,414	909,296	911,704	903,733	878,436
37,239	37,621	37,671	38,921	39,666
94,051	91,753	84,506	82,826	79,889
122,639	105,207	84,311	124,077	155,286
72,499	95,429	87,685	88,962	205,268
43,777	46,152	40,634	39,565	46,697
--	--	--	--	--
3,370,103	3,289,045	3,209,553	3,210,765	3,488,005
94,780	24,217	16,469	(9,277)	(330,795)
274,363	345,692	395,752	382,154	793,528
(268,110)	(336,157)	(388,274)	(370,820)	(781,397)
78,419	10,000	36,000	--	--
--	2,927	--	--	--
--	--	--	--	--
--	34,380	--	--	--
--	(40,491)	(710)	--	--
--	43	--	--	--
--	--	133	--	--
--	--	--	--	--
84,672	16,394	42,901	11,334	12,131
1,800	(113,615)	--	--	--
\$ 181,252	\$ (73,004)	\$ 59,370	\$ 2,057	\$ (318,664)
3.60%	4.44%	4.12%	4.18%	7.54%

Revenues

Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures, and Penalties
Use of Money and Property
Intergovernmental
Charges for Services
Other
Total Revenues

Expenditures

General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Interest
Debt Issuance Costs
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures

Other Financing Sources (Uses)

Transfers In
Transfers Out
Debt Issued
Premium on Debt Issued
Principal Payment on Demand Bonds
Refunding Bonds Issued
Payment to Refunded Bond Escrow
for Resale
Capital Leases
Loan Proceeds
Total Other Financing Sources
Extraordinary Gain/(Loss)
Net Change in Fund Balances

Debt Service as a Percentage
of Noncapital Expenditures:

Assessed Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Industrial/ Commercial Property</u>	<u>Other Property ⁽²⁾</u>	<u>Unsecured Roll Gross Total ⁽³⁾</u>
2017-18	\$ 427,214,695	\$ 119,884,555	\$ 2,827,145	\$ 20,772,113
2016-17	400,931,553	114,636,194	2,787,769	20,582,609
2015-16	377,592,570	110,440,476	3,294,159	20,394,462
2014-15	352,800,864	105,523,254	3,694,094	20,902,660
2013-14	328,138,473	102,580,010	3,792,261	19,281,087
2012-13	315,635,908	100,074,695	3,489,057	19,905,480
2011-12	310,211,002	96,431,670	2,848,162	20,634,672
2010-11	304,895,403	97,097,750	3,038,747	21,198,638
2009-10	302,855,181	100,686,715	2,814,952	21,516,171
2008-09	310,398,180	97,515,067	3,125,331	21,026,522

- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
 - (2) Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.
 - (3) Unsecured roll includes properties for which taxes assessed are not a lien on real property and are not sufficient, in the opinion of the Assessor, to secure payment of taxes. It consists of improvements, business personal property, boats and aircrafts, and it can also include land and improvements that are identified as real estate of others, as defined by the Assessor (reference Revenue and Taxation Code Section 134).

Source: Orange County Assessor Department

<u>Total Taxable Assessed Value</u>	<u>Less: Exempt & Non-Reimbursed Exemptions</u>	<u>Net Taxable Assessed Value</u>	<u>Total Direct Tax Rate Percent ⁽¹⁾</u>
\$ 570,698,508	\$ (12,895,747)	\$ 557,802,761	1.00
538,938,125	(12,807,570)	526,130,555	1.00
511,721,667	(12,722,344)	498,999,323	1.00
482,920,872	(11,661,965)	471,258,907	1.00
453,791,831	(10,943,554)	442,848,277	1.00
439,105,140	(10,634,193)	428,470,947	1.00
430,125,506	(9,729,486)	420,396,020	1.00
426,230,538	(9,452,472)	416,778,066	1.00
427,873,019	(9,063,739)	418,809,280	1.00
432,065,100	(8,051,290)	424,013,810	1.00

COUNTY OF ORANGE
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$1,000 of Assessed Value) ⁽⁴⁾

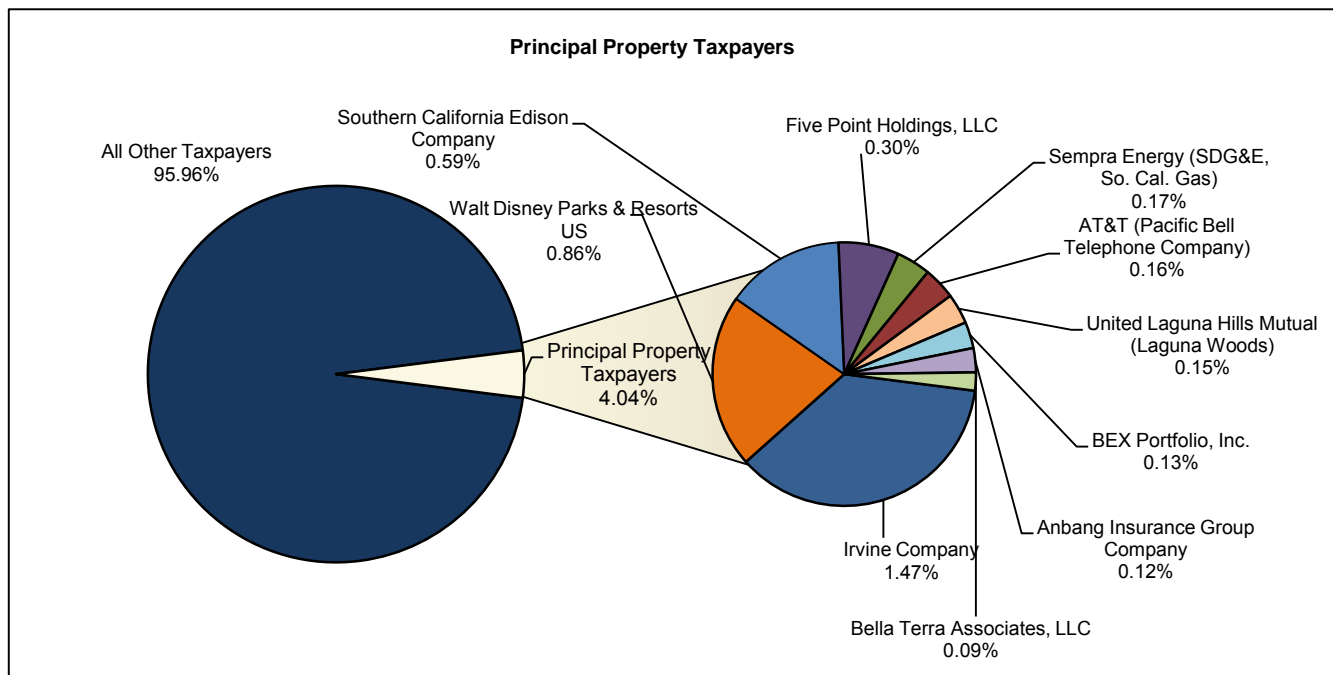
Fiscal Year	Direct Rate ⁽¹⁾		Overlapping Rates ⁽²⁾			Total Direct & Overlapping Rates
	County General	School Districts	Local Special Districts	Cities	Public Utility	
2017-18	1.00000	0.05366	0.01289	0.00713	0.00259	1.07627
2016-17	1.00000	0.04840	0.01316	0.00659	0.00270	1.07085
2015-16	1.00000	0.05101	0.01455	0.00670	0.00227	1.07453
2014-15	1.00000	0.04579	0.04438	0.00681	-- ⁽³⁾	1.09698

- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
 - (2) These overlapping rates are in addition to the County General rate, but only apply to taxpayers within the borders of the school districts, local special districts, cities, and public utilities that lie within the County.
 - (3) No rate was available for Public Utility in FY 2014-15.
 - (4) The schedule is presented to show information for 10 years. However, a full 10-year trend is not currently available; the County will be adding years in the future.



**Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2018			2009		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
Irvine Company	\$ 94,856	1	1.47%	\$ 59,816	1	1.18%
Walt Disney Parks & Resorts US	55,322	2	0.86%	40,304	2 & 7	0.79%
Southern California Edison Company	38,458	3	0.59%	23,001	3	0.45%
Five Point Holdings, LLC	19,542	4	0.30%			
Sempra Energy (SDG&E, So. Cal. Gas)	10,785	5	0.17%			
AT&T (Pacific Bell Telephone Company)	10,026	6	0.16%	7,885	6	0.16%
United Laguna Hills Mutual (Laguna Woods)	9,883	7	0.15%	6,981	8	0.14%
BEX Portfolio, Inc.	8,443	8	0.13%			
Anbang Insurance Group Company	7,572	9	0.12%			
Bella Terra Associates, LLC	5,949	10	0.09%			
Irvine Apartment Communities				22,440	4	0.44%
Irvine Community Development				11,277	5	0.22%
Irvine Company LLC				6,901	9	0.14%
Heritage Fields El Toro LLC				6,061	10	0.12%
Total	\$ 260,836		4.04%	\$ 184,666		3.64%

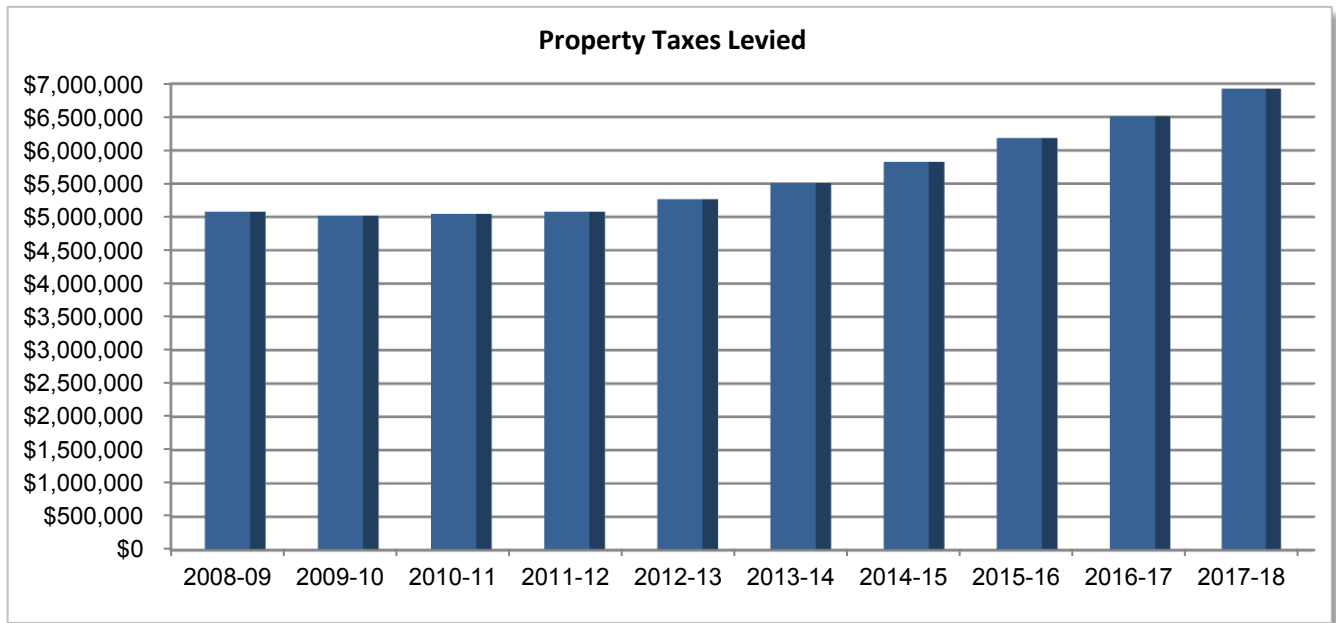


Note: The base used for the Percentage of Total Taxes Levied for 2018 includes total secured taxes of \$6,464,862.

Source: Treasurer-Tax Collector, County of Orange

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year ⁽¹⁾	Collections Within the Fiscal Year of the Levy ⁽²⁾		Collections of Delinquent Taxes from Prior Years ⁽⁴⁾	Total Collections for the Fiscal Year ⁽³⁾	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017-18	\$ 6,925,546	\$ 6,855,493	98.99%	\$ --	\$ 6,855,493	98.99%
2016-17	6,511,944	6,446,780	99.00%	35,702	6,482,482	99.55%
2015-16	6,183,862	6,119,771	98.96%	45,682	6,165,453	99.70%
2014-15	5,828,106	5,759,699	98.83%	54,485	5,814,184	99.76%
2013-14	5,509,379	5,444,912	98.83%	51,333	5,496,245	99.76%
2012-13	5,265,844	5,194,193	98.64%	57,834	5,252,027	99.74%
2011-12	5,079,589	5,002,490	98.48%	83,337	5,085,827	100.12%
2010-11	5,045,802	4,960,748	98.31%	34,937	4,995,685	99.01%
2009-10	5,019,061	4,904,188	97.71%	21,576	4,925,764	98.14%
2008-09	5,076,796	4,901,574	96.55%	16,066	4,917,640	96.87%



- 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							
Fiscal Year	Refunding Recovery Bonds ⁽⁶⁾	Redevelopment Bonds ⁽²⁾	Certificates of Participation ⁽⁵⁾	Pension Obligation Bonds ⁽⁵⁾	Teeter Plan Notes	SARI Line Loans	Civic Center Facilities Master Plan Financing
2017-18	\$ --	\$ --	\$ 392	\$ 8,217	\$ 27,247	\$ --	\$ 175,340
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	--	--	--

- Notes:
- (1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
 - (2) Redevelopment Bonds are no longer County debt due to the dissolution of Redevelopment Agency on February 1, 2012. Details regarding the Redevelopment Bonds can be found in Note 12, Conduit Debt Obligations and Successor Agency Debt.
 - (3) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all the risks and benefits of ownership.
 - (4) See demographic and economic statistics schedule for personal income and population data. For years prior to FY 2012-13, the personal income ratio and the debt per capita amounts were calculated using personal income and population from the prior fiscal year.
 - (5) Beginning FY 2012-13, outstanding debt does not include Interest Accretion on capital appreciation bonds (CAB), this was separated and numbers were restated.
 - (6) Beginning FY 2013-14, outstanding debt does not include deferred amount on refunding due to implementation of GASB Statement No. 65. Prior years have not been restated.
 - (7) Lease Revenue bonds and Airport Revenue bonds include unamortized premiums and discounts.

Source: Auditor-Controller, County of Orange

Lease Revenue Bonds ^{(6), (7)}	Capital Lease Obligations ⁽³⁾	Interest Accretion on CAB	Business-Type Activities		Total Primary Government	Percentage of Personal Income ⁽⁴⁾	Per Capita ⁽⁴⁾
			Airport Revenue Bonds ⁽⁷⁾	Waste Management System Revenue Bonds			
\$ 69,948	\$ 43,169	\$ 36,586	\$ 152,199	\$ --	\$ 513,098	0.24%	\$ 159
88,352	55,831	46,641	187,318	--	617,281	0.31%	193
141,145	67,928	73,926	195,127	--	556,741	0.29%	175
105,880	79,168	96,303	202,536	--	582,958	0.31%	185
137,115	62,446	103,377	209,804	--	653,609	0.34%	210
155,828	67,353	110,084	240,540	7,018	760,265	0.41%	247
181,097	71,755	--	248,900	13,666	658,291	0.40%	215
249,924	76,074	--	256,683	19,921	809,382	0.51%	269
309,517	80,114	--	264,099	25,738	874,905	0.57%	276
365,850	84,952	--	33,502	31,144	738,173	0.50%	235

**Ratios of Net General Bonded Debt ⁽¹⁾ 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 ⁽³⁾	Restricted for Debt Payments ⁽³⁾	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita ⁽²⁾
2017-18	\$ --	\$ 42,770	\$ 42,770	\$ --	0.00%	\$ --
2016-17	--	53,985	53,985	--	0.00%	--
2015-16	--	87,521	87,521	--	0.00%	--
2014-15	--	116,494	116,494	--	0.00%	--
2013-14	19,172	127,206	127,206	19,172	0.00%	6
2012-13	35,317	138,484	138,484	35,317	0.01%	11
2011-12	51,600	47,523	47,523	51,600	0.01%	17
2010-11	67,028	54,680	54,680	67,028	0.02%	22
2009-10	81,619	59,331	59,331	81,619	0.02%	26
2008-09	95,206	69,711	69,711	95,206	0.02%	30

- Notes:
- (1) Details regarding the County's outstanding debt can be found in Note 11, Long-Term Obligations.
 - (2) See demographic and economic statistics schedule for population data. For years prior to FY 2012-13, the debt per capita amount was calculated using the population for the prior fiscal year.
 - (3) Beginning in FY 2012-13, outstanding debt includes accreted interest on capital appreciation bonds.

Source: Auditor Controller, County of Orange

**Legal Debt Margin as a Percentage of Debt Limit
Last Ten Fiscal Years**

Fiscal Year	Assessed Value ⁽¹⁾	Legal Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit ⁽²⁾
2017-18	\$ 563,662,044	\$ 7,045,776	\$ --	\$ 7,045,776	0%
2016-17	531,052,158	6,638,152	--	6,638,152	0%
2015-16	504,650,360	6,308,130	--	6,308,130	0%
2014-15	476,303,290	5,953,791	--	5,953,791	0%
2013-14	447,749,156	5,596,864	--	5,596,864	0%
2012-13	432,902,274	5,411,278	--	5,411,278	0%
2011-12	424,769,642	5,309,621	--	5,309,621	0%
2010-11	420,751,575	5,259,395	--	5,259,395	0%
2009-10	422,965,596	5,287,070	--	5,287,070	0%
2008-09	428,809,224	5,360,115	--	5,360,115	0%



Note:

(1) Starting from FY 2007-08, Assessed Value includes the State assessed properties.

(2) The amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the equalized assessment property tax roll. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, section 1 requires the approval of 2/3 of the voting on the proposition.

Source: Auditor-Controller, County of Orange

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018
(Dollar Amounts in Thousands)

Pledged Revenue Coverage⁽¹⁾
Last Ten Fiscal Years

South Orange County Public Financing Authority						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers						
Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2017-18	\$ 10,489	\$ --	\$ 10,489	\$ 7,165	\$ 3,152	1.02
2016-17	10,465	--	10,465	7,335	2,974	1.02
2015-16	5,828	271	5,557	4,920	906	0.95
2014-15	5,830	--	5,830	4,780	1,049	1.00
2013-14	5,825	--	5,825	4,680	1,143	1.00
2012-13	5,841	--	5,841	4,520	1,307	1.00
2011-12	--	262	(262)	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--

Orange County Public Financing Authority						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers						
Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2017-18	\$ 2,466	\$ --	\$ 2,466	\$ 9,590	\$ 335	0.25
2016-17	10,189	--	10,189	41,235	1,587	0.24
2015-16	44,418	--	44,418	25,420	3,235	1.55
2014-15	29,928	--	29,928	24,235	4,455	1.04
2013-14	29,949	--	29,949	23,115	5,605	1.04
2012-13	29,952	--	29,952	22,160	6,638	1.04
2011-12	35,697	--	35,697	61,630	10,837	0.49
2010-11	74,725	--	74,725	58,990	13,643	1.03
2009-10	74,838	--	74,838	56,580	16,151	1.03
2008-09	77,027	--	77,027	56,225	18,385	1.03

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	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2017-18	\$ 145,649	\$ 90,889	\$ 54,760	\$ 35,090	\$ 8,845	1.25
2016-17	143,707	89,055	54,652	7,530	9,999	3.12
2015-16	143,661	82,833	60,828	7,205	10,338	3.47
2014-15	135,491	82,558	52,933	6,995	10,603	3.01
2013-14	131,285	84,708	46,577	30,473	11,395	1.11
2012-13	126,966	79,739	47,227	9,250	12,250	2.20
2011-12	124,403	77,628	46,775	7,851	12,592	2.29
2010-11	120,088	70,521	49,567	7,460	12,906	2.43
2009-10	121,761	68,771	52,990	2,865	7,163	5.28
2008-09	115,026	67,749	47,277	13,480	4,567	2.62

Orange County Public Facilities Corporation Bonds						
Funding Source: Interest Earnings and Transfers						
Debt Service						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2017-18	\$ 2,423	\$ --	\$ 2,423	\$ 419	\$ 2,179	0.93
2016-17	2,405	8	2,397	451	2,157	0.92
2015-16	2,470	--	2,470	482	2,121	0.95
2014-15	2,475	--	2,475	518	2,090	0.95
2013-14	2,459	--	2,459	560	2,045	0.94
2012-13	2,403	44	2,359	600	2,005	0.91
2011-12	2,770	--	2,770	642	1,958	1.07
2010-11	2,525	--	2,525	694	1,906	0.97
2009-10	2,743	--	2,743	744	1,861	1.05
2008-09	2,700	--	2,700	804	1,801	1.04

Teeter Plan Notes						
Funding Source: Delinquent Property Taxes Collected						
Debt Service						
Fiscal Year ⁽²⁾	Gross Revenue	Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2017-18	\$ 11,210	\$ 220	\$ 10,990	\$ 59,110	\$ 1,105	0.18
2016-17	26,232	154	26,078	33,859	600	0.77
2015-16	316	210	106	74,561	347	0.00
2014-15	174	2,954	(2,780) ⁽³⁾	37,548	352	(0.07)
2013-14	11,147	251	10,896	43,295	413	0.25
2012-13	15,706	1,032	14,674	14,449	327	0.99
2011-12	--	--	--	--	--	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--

Notes: (1) Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

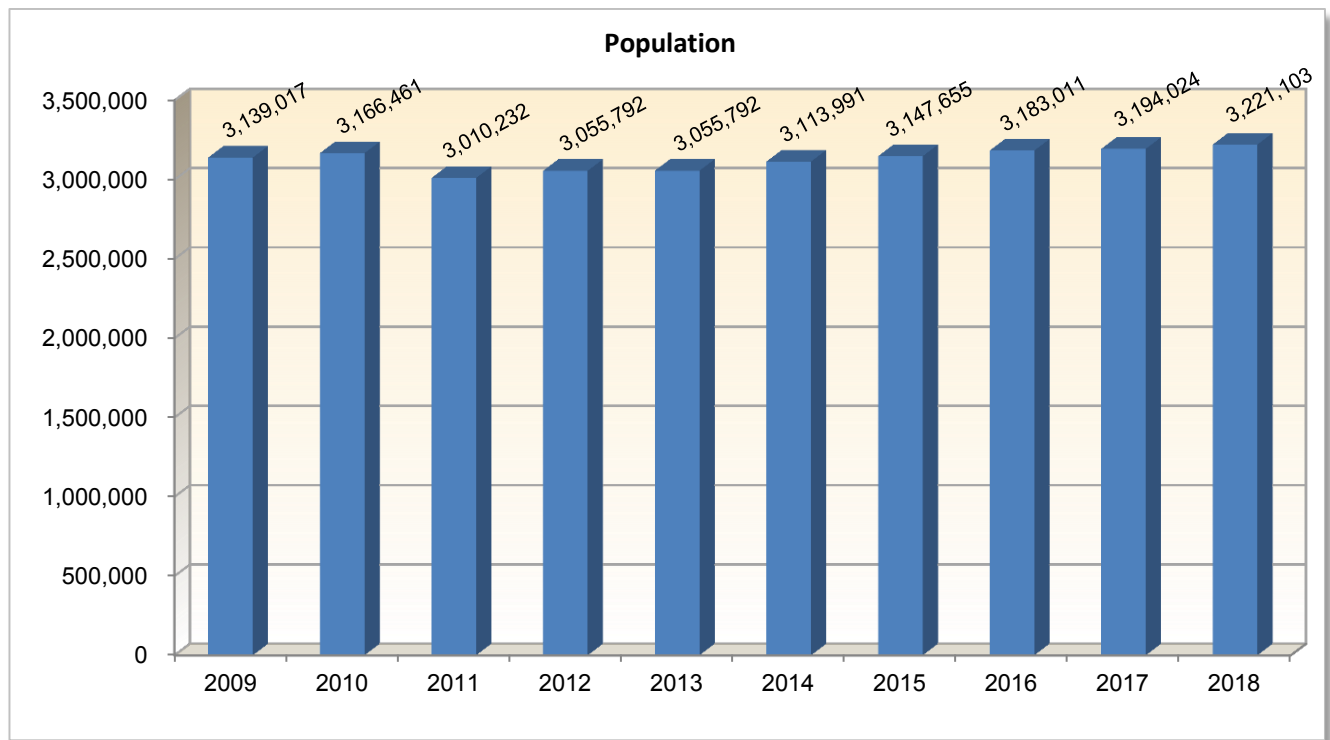
(2) Teeter Plan Notes were converted from short-term commercial paper to long-term note in FY 2012-13, therefore, only long-term note information is presented.

(3) For FY 2014-15, there is a deficit balance for Net Available Revenue due to the change in Teeter Plan Reserve methodology.

Source: Auditor-Controller, County of Orange

**Demographic and Economic Statistics
Last Ten Calendar Years**

Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income (Absolute Dollars) ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment (In Thousands) ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2018	3,221,103	\$ 215,479,000	\$ 66,896	N/A	485,835	3.1%
2017	3,194,024	199,492,000	62,458	37.3	490,430	4.2%
2016	3,183,011	190,978,000	59,999	37.1	493,030	4.4%
2015	3,147,655	185,500,000	58,933	36.7	497,116	4.0%
2014	3,113,991	177,412,900	56,973	36.4	500,487	5.4%
2013	3,081,804	168,966,400	54,827	36.2	501,801	6.7%
2012	3,055,792	166,345,500	54,436	36.7	502,195	8.1%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%
2009	3,139,017	148,372,600	47,267	36.9	504,136	9.6%



N/A means Not Available

Sources:

- (1) California Department of Finance, Demographic Research Unit, <http://www.dof.ca.gov>
- (2) Chapman University Economic & Business Review.
- (3) U.S. Census Bureau, American Community Survey, <http://www.census.gov>, 2018 N/A
- (4) California Department of Education, <http://www.cde.ca.gov>
- (5) State of California, Employment Development Department, <http://www.edd.ca.gov/>

**Principal Employers
Current Year and Nine Years Ago**

2018

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	30,000	1	1.87%
University of California, Irvine	23,605	2	1.47%
County of Orange	18,257	3	1.14%
St. Joseph Health System	13,786	4	0.86%
Kaiser Permanente	7,800	5	0.49%
Boeing Co.	6,103	6	0.38%
Albertsons	6,057	7	0.38%
Wal-Mart	6,000	8	0.37%
Hoag Memorial Hospital	5,680	9	0.35%
Target Corporation	5,400	10	0.34%

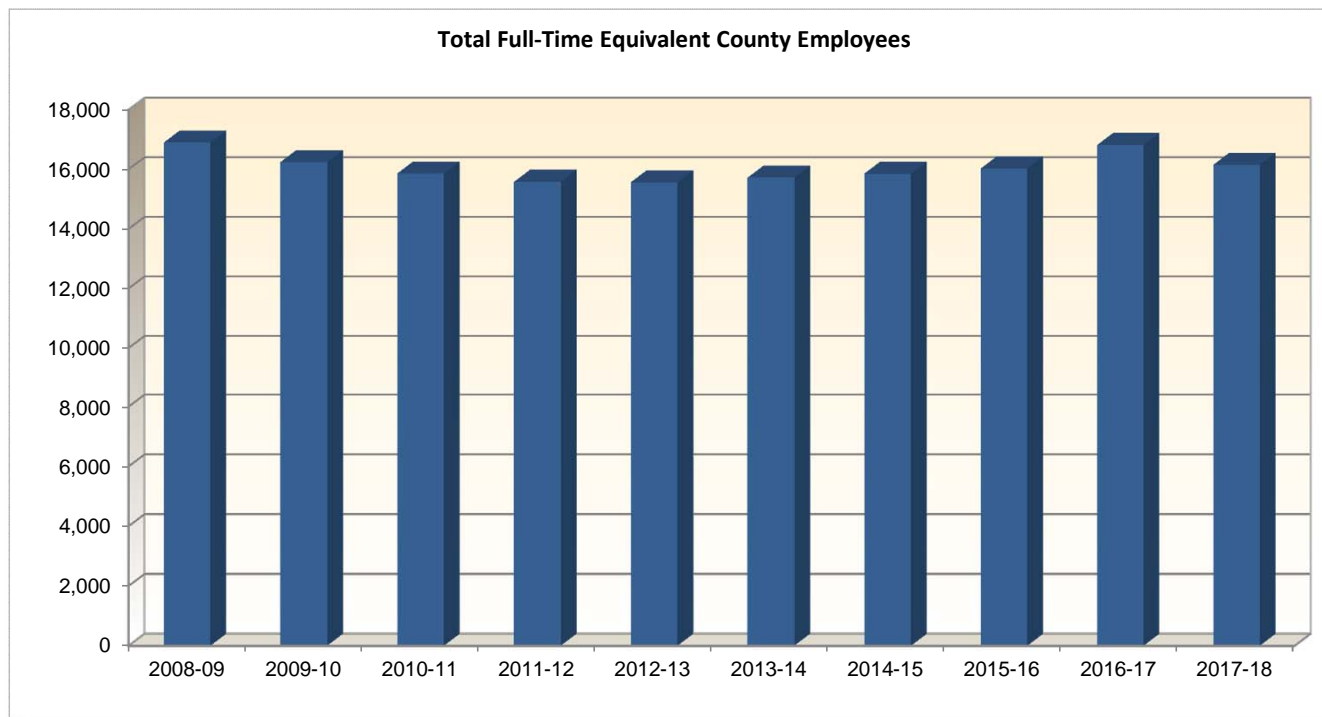
2009

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	20,000	1	1.25%
County of Orange	18,668	2	1.17%
University of California, Irvine	17,500	3	1.10%
St. Joseph Health System	10,656	4	0.67%
Boeing Co.	8,100	5	0.51%
Yum! Brands Inc.	7,000	6	0.44%
Target Corporation	6,100	7	0.38%
Supervalu Inc.	6,082	8	0.38%
California State University Fullerton	5,768	9	0.36%
Bank of America Corporation	5,500	10	0.35%

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	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13 ⁽²⁾	2011-12	2010-11	2009-10	2008-09
General Government	1,461	1,511	1,419	1,341	1,322	1,273	1,279	1,314	1,346	1,383
Public Protection	6,722	6,915	6,642	6,674	6,760	6,781	6,653	6,692	6,879	7,298
Public Ways and Facilities	386	431	435	440	478	508	542	569	585	622
Health and Sanitation	2,307	2,409	2,253	2,198	2,128	2,137	2,209	2,292	2,346	2,507
Public Assistance	4,276	4,529	4,306	4,239	4,043	3,876	3,867	3,935	4,023	4,000
Education	306	309	302	286	290	286	307	324	325	350
Recreation and Cultural Services	288	298	272	265	274	268	283	289	285	277
Airport	157	153	154	159	162	167	168	168	169	168
Waste Management	236	249	233	241	249	255	257	261	267	272
CFCOC	10	9	11	11	11	11	13	14	16	17
Total Full-time Equivalent Employees ⁽¹⁾	16,149	16,813	16,027	15,854	15,717	15,562	15,578	15,858	16,241	16,894



Note: (1) Full-time equivalent employment is calculated by dividing total labor hours by the total of hours in a fiscal year (2,080 hours).

(2) Updated FY 2012-13 numbers due to revaluation of methodology. It was subsequently determined that prior methodology was appropriate.

Source: County Executive Office, County of Orange

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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

Function/Program	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
General Government					
Auditor-Controller					
Property Tax Bills Prepared	1,125,902	1,127,725	1,141,652	1,216,325	1,220,750
Assessor					
Number of Real Property Valued	943,771	937,630	930,470	924,791	918,672
Number of Unsecured Property Assessed	117,126	121,665	141,224	145,151	135,551
New Parcels Created and Mapped	7,868	9,053	6,665	6,918	4,519
New Construction Events	20,758	21,254	19,397	18,530	16,904
County Executive Office					
Volunteer Program Service Hours	562,121	645,482	613,277	638,230	700,759
Clerk-Recorder					
Marriage Licenses Issued	23,702	25,309	23,725	23,553	25,244
Marriage Ceremonies Performed	11,946	12,876	11,122	11,213	12,056
Copies of Birth Certificates Issued	82,463	85,051	74,508	79,826	82,268
Property-Related Document Recordings	534,185	640,243	617,914	651,866	580,899
Passport Applications Filed	10,144	9,437	7,093	5,016	2,686
Treasurer-Tax Collector					
Orange County Investment Pool Income (1)	\$ 57,610	\$ 36,677	\$ 24,877	\$ 14,581	\$ 11,298
Assets Under Management (1)	\$ 9,387,613	\$ 9,092,268	\$ 8,271,502	\$ 7,604,246	\$ 6,566,145
Number of Property Tax Bills	1,471,356	1,448,886	1,367,275	1,381,808	1,421,654
Percentage of Secured Tax Bill Collection	99.36%	99.39%	99.26%	99.21%	99.16%
Number of Incoming Phone Calls	98,660	108,061	111,948	121,461	115,123
Percentage of Electronic Payments	60.9%	57.2%	54.9%	54.2%	53.8%
Secured Tax Bill Reminders	42,866	40,898	38,213	35,917	31,988
Property Tax Payments by eCheck	398,711	348,961	309,977	285,932	248,908
Registrar of Voters					
Registered Voters	1,481,881	1,535,967	1,395,380	1,424,216	1,411,232
Highest Number of Ballots Cast	635,224	1,239,405	691,802	640,358	340,187
Elections Conducted	1	1	4	7	3
Public Protection					
Sheriff-Coroner					
Patrolled Cities Population	646,818	644,496	641,753	637,261	631,934
Patrolled Unincorporated Areas Population	129,278	125,792	125,420	124,014	121,473
Number of Bookings to Orange County Jail System	61,157	56,330	56,163	56,135	61,262
Average Daily Jail Head Count	6,249	6,220	6,028	6,055	7,039
District Attorney					
Defendants Prosecuted - Adult	62,682	61,219	61,521	56,233	55,906
Defendants Prosecuted - Juvenile	3,426	3,631	3,564	4,482	5,103
Probation					
Physical Arrests - Adult	*	*	*	*	*
Physical Arrests - Juvenile	*	*	*	*	*
Probationers under Supervision as of June 30th-Adult	11,560	11,189	11,714	10,725	14,425
Probationers under Supervision as of June 30th-Juvenile	2,270	2,290	2,550	3,124	4,156
Avg. Daily Juvenile Hall Population	129	150	130	150	229
Avg. Daily Camp Population	119	136	143	203	182
Public Defender					
Cases Appointed Annually	59,095	61,878	65,574	79,119	74,101

Note: (1) Dollar amounts in thousand

(2) * means Not Available

Sources: County Departments

Fiscal Year					Function/Program
2012-13	2011-12	2010-11	2009-10	2008-09	
<u>General Government</u>					
					Auditor-Controller
1,186,238	1,153,816	1,189,320	1,144,933	1,148,720	Property Tax Bills Prepared
					Assessor
914,489	901,840	899,644	897,547	888,770	Number of Real Property Valued
139,865	159,464	161,005	168,208	169,821	Number of Unsecured Property Assessed
8,175	3,649	2,739	9,413	9,185	New Parcels Created and Mapped
17,173	17,129	9,372	13,172	16,565	New Construction Events
					County Executive Office
815,407	885,416	935,284	882,680	839,125	Volunteer Program Service Hours
					Clerk-Recorder
22,502	22,415	20,868	20,292	21,339	Marriage Licenses Issued
*	*	*	*	*	Marriage Ceremonies Performed
81,775	83,611	85,773	87,999	98,231	Copies of Birth Certificates Issued
839,353	741,935	725,323	669,332	629,373	Property-Related Document Recordings
*	*	*	*	*	Passport Applications Filed
					Treasurer-Tax Collector
\$ 12,958	\$ 17,978	\$ 22,295	\$ 35,656	\$ 67,242	Orange County Investment Pool Income (1)
\$ 6,490,056	\$ 5,922,768	\$ 6,183,195	\$ 5,975,392	\$ 5,963,577	Assets Under Management (1)
1,347,596	1,257,709	1,382,198	1,362,221	1,367,901	Number of Property Tax Bills
98.94%	98.51%	98.35%	97.61%	96.30%	Percentage of Secured Tax Bill Collection
150,830	148,463	162,955	160,067	178,420	Number of Incoming Phone Calls
49.4%	51.1%	49.3%	43.8%	40.8%	Percentage of Electronic Payments
28,664	25,451	21,027	*	*	Secured Tax Bill Reminders
213,146	181,151	143,136	126,942	112,114	Property Tax Payments by eCheck
					Registrar of Voters
1,683,001	1,612,145	1,621,934	1,603,312	1,607,989	Registered Voters
1,133,204	145,474	898,205	482,708	1,167,657	Highest Number of Ballots Cast
2	2	5	5	4	Elections Conducted
<u>Public Protection</u>					
					Sheriff-Coroner
627,447	557,403	553,148	584,947	581,109	Patrolled Cities Population
					Patrolled Unincorporated Areas
120,396	119,698	121,488	120,088	119,480	Population
					Number of Bookings to Orange County
63,439	65,256	63,615	58,322	61,778	Jail System
6,805	6,265	5,721	5,171	6,090	Average Daily Jail Head Count
					District Attorney
57,873	61,759	64,418	64,969	70,058	Defendants Prosecuted - Adult
6,651	6,743	7,907	6,894	7,740	Defendants Prosecuted - Juvenile
					Probation
2,947	2,307	1,926	1,822	1,725	Physical Arrests - Adult
640	467	488	685	595	Physical Arrests - Juvenile
					Probationers under Supervision as of
14,186	14,788	13,243	13,476	15,022	June 30th-Adult
					Probationers under Supervision as of
4,984	5,399	5,792	6,527	6,492	June 30th-Juvenile
320	315	417	428	455	Avg. Daily Juvenile Hall Population
193	169	194	191	310	Avg. Daily Camp Population
					Public Defender
77,073	73,487	77,661	76,191	83,029	Cases Appointed Annually

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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

Function/Program	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
<u>Public Ways and Facilities</u>					
OC Public Works (OCPW)					
Building and Home Inspections	42,590	39,056	40,662	30,324	31,772
<u>Health and Sanitation</u>					
OC Community Resources					
Animal Licenses	149,342	171,237	192,470	198,358	192,320
Health Care Agency					
911 Emergency Medical Services Responses	234,459	204,683	193,538	183,794	170,804
Retail Food Facility Inspections Conducted	30,893	32,305	26,195	31,397	32,689
Hazardous Waste Inspections Conducted	6,003	7,271	8,328	5,950	4,616
Number of Home Visits by Public Health Nurses	20,156	32,108	29,219	31,258	35,101
Number of Low Income Children Dental Health Services	360	311	496	755	1,225
Number of Ocean Water Days of Closure (In Beach-Miles)	10	17	22	24	20
<u>Public Assistance</u>					
OC Community Resources					
Adult Day Care Hours of Service	65,900	47,567	49,971	43,010	50,944
Elderly Nutrition Program Meals Delivered	1,323,802	1,417,361	1,374,275	1,406,526	1,347,251
One-Way Transportation Trips Provided to Seniors	185,258	190,534	198,851	180,899	187,864
Social Service Agency					
Average Monthly Medi-Cal Recipients	806,716	817,408	810,388	718,061	521,078
Average Monthly Child Abuse Hotline Calls	4,189	4,076	4,259	4,049	3,674
Average Monthly CalFresh (formerly Food Stamp) Recipients	233,038	250,772	263,556	258,676	247,517
Average Monthly In-Home Supportive Services	26,369	24,427	22,635	20,787	19,652
Average Persons Receiving Cash Assistance	41,622	46,369	52,081	55,921	55,225
Average Children in Foster Care/Relative Care	1,917	1,886	1,791	1,924	2,119
Average Elder and Adult Abuse Unduplicated Reports Received	1,091	995	942	815	710
<u>Education</u>					
OC Community Resources					
Total Volumes Borrowed at Library Branches	7,041,985	6,864,635	6,634,747	6,411,127	6,642,739
<u>Recreation and Cultural Services</u>					
OC Community Resources					
Exotic Invasive Plant Removal (acres)	2,285	2,940	2,782	1,466	1,154
Native Vegetation Restoration (acres)	414	262	293	312	368
Dana Point Harbor					
Slip and Dry Storage Tenants	438	438	2,903	3,204	2,679
Boat Launches	16,487	16,303	17,695	15,511	15,606
Sailing and Event Center Participants	101,945	80,752	50,000	75,000	111,838
Ocean Institute Students/Visitors	90,948	127,361	192,384	41,000	100,000
Hotel Guests	59,319	39,140	43,515	43,073	42,887
Catalina Express Passengers	129,239	128,000	25,711	123,688	123,257
Special Events at the Harbor	6	6	8	12	15
<u>Airport</u>					
Passengers	10,670,156	10,373,714	10,361,436	9,608,873	9,304,295
Air Cargo Tonnage	19,577	17,813	18,568	16,997	17,564
Takeoffs & Landings	302,483	285,704	276,817	264,726	252,166
<u>Waste Management</u>					
Solid Waste Tonnage	4,980,101	4,810,116	4,772,722	4,581,359	4,070,238
Gallons of Leachate and Impacted Ground Water Collected	5,576,351	5,599,757	3,542,736	5,510,821	3,854,530

Sources: County Departments

Fiscal Year					Function/Program
2012-13	2011-12	2010-11	2009-10	2008-09	
					<u>Public Ways and Facilities</u>
					OC Public Works (OCPW)
19,368	15,591	13,215	11,222	24,731	Building and Home Inspections
					<u>Health and Sanitation</u>
					OC Community Resources
191,098	200,755	173,570	176,123	158,202	Animal Licenses
					Health Care Agency
171,420	168,172	156,638	158,863	160,369	911 Emergency Medical Services Responses
34,953	35,025	34,962	36,445	33,146	Retail Food Facility Inspections Conducted
6,058	5,444	6,237	6,600	5,847	Hazardous Waste Inspections Conducted
34,953	32,498	29,260	30,091	29,505	Number of Home Visits by Public Health Nurses
					Number of Low Income Children Dental Health Services
1,107	1,344	1,533	1,520	979	Number of Ocean Water Days of Closure (In Beach-Miles)
8	1	61	20	26	
					<u>Public Assistance</u>
					OC Community Resources
49,129	70,267	93,425	92,964	101,732	Adult Day Care Hours of Service
1,360,601	1,636,379	1,846,571	1,796,596	1,725,058	Elderly Nutrition Program Meals Delivered
155,003	184,476	287,611	213,832	233,382	One-Way Transportation Trips Provided to Seniors
					Social Service Agency
430,559	418,649	403,142	376,101	343,222	Average Monthly Medi-Cal Recipients
3,009	2,880	3,003	3,165	3,242	Average Monthly Child Abuse Hotline Calls
					Average Monthly CalFresh (formerly Food Stamp) Recipients
230,964	213,919	185,489	150,141	109,491	Average Monthly In-Home Supportive Services
19,663	19,240	18,335	17,595	16,364	Average Persons Receiving Cash Assistance
55,008	56,847	58,770	53,214	44,115	Average Children in Foster Care/Relative Care
2,213	2,128	2,148	2,336	2,466	Average Elder and Adult Abuse Unduplicated Reports Received
636	630	604	598	531	
					<u>Education</u>
					OC Community Resources
6,564,262	6,741,380	7,796,954	7,629,378	7,314,615	Total Volumes Borrowed at Library Branches
					<u>Recreation and Cultural Services</u>
					OC Community Resources
4,102	4,042	629	61	1,475	Exotic Invasive Plant Removal (acres)
843	994	2,448	82	144	Native Vegetation Restoration (acres)
					Dana Point Harbor
2,700	2,237	2,748	2,750	2,836	Slip and Dry Storage Tenants
15,037	14,327	15,150	18,759	19,903	Boat Launches
115,996	111,959	108,070	83,738	66,163	Sailing and Event Center Participants
108,668	110,059	125,000	125,060	126,957	Ocean Institute Students/Visitors
41,141	36,800	26,972	25,252	28,650	Hotel Guests
123,257	120,945	114,176	106,305	111,648	Catalina Express Passengers
16	16	16	16	16	Special Events at the Harbor
					<u>Airport</u>
9,124,172	8,642,116	8,611,054	8,812,169	8,552,590	Passengers
17,821	16,831	15,150	14,870	15,197	Air Cargo Tonnage
252,506	251,191	260,466	213,404	215,585	Takeoffs & Landings
					<u>Waste Management</u>
3,428,657	3,304,643	3,495,649	3,502,715	3,876,902	Solid Waste Tonnage
					Gallons of Leachate and Impacted Ground Water Collected
3,116,108	3,448,964	3,209,725	3,390,965	3,441,343	

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

Function/Program	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
<u>General Government</u>					
Auditor-Controller					
Hall of Finance and Records	1	1	1	1	1
Clerk-Recorder					
OC Archives Building	1	1	1	1	1
Registrar of Voters					
Trailer	2	1	1	1	1
Vehicle/Truck	3	4	4	4	3
<u>Public Protection</u>					
Sheriff-Coroner					
Crime/Forensic Lab	1	1	1	1	1
Jail Facilities	3	3	3	3	3
Vehicles	938	948	917	916	911
Buses	13	12	11	11	11
Helicopters	5	5	4	3	3
Boats	10	10	10	10	10
Robot Andros	3	3	3	3	3
Haz-mat Vehicles	4	4	4	4	4
K-9 units	34	26	28	22	18
District Attorney					
Justice Center Offices	5	5	5	5	5
Probation Department					
Juvenile Institutions	4	4	4	4	4
Vehicles/Trucks	158	159	155	159	156
Equipment	15	13	12	16	12
<u>Public Ways and Facilities</u>					
OC Public Works					
Hall of Administration	1	1	1	1	1
Data Center	1	1	1	1	1
Alternate Fuel Vehicles	42	46	50	51	60
Vehicles/Trucks	46	45	42	53	54
OC Flood Control District					
Watersheds	22	21	19	13	13
Dams	4	4	3	3	3
Dump Trucks	4	4	7	7	12
Tractors	20	20	20	14	19
Trailers	16	16	14	24	17
Vehicles/Trucks	94	97	79	156	156
Roads					
Street Miles	345	330	330	320	320
Dump Trucks	13	12	12	11	9
Tractors	30	30	30	18	9
Trailers	26	24	32	30	18
Vehicles/Trucks	174	174	147	146	165

* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2012-13	2011-12	2010-11	2009-10	2008-09	
<u>General Government</u>					
Auditor-Controller					
1	1	1	1	1	Hall of Finance and Records
Clerk-Recorder					
1	1	1	1	1	OC Archives Building
Registrar of Voters					
1	1	1	1	1	Trailer
3	3	3	3	3	Vehicle/Truck
<u>Public Protection</u>					
Sheriff-Coroner					
1	1	1	1	1	Crime/Forensic Lab
3	3	3	3	3	Jail Facilities
918	838	844	844	859	Vehicles
11	11	13	13	13	Buses
2	2	2	2	2	Helicopters
9	9	5	5	5	Boats
3	3	3	3	3	Robot Andros
4	4	4	4	4	Haz-mat Vehicles
13	10	14	14	14	K-9 units
District Attorney					
5	5	5	5	5	Justice Center Offices
Probation Department					
4	5	5	5	5	Juvenile Institutions
*	*	*	*	*	Vehicles/Trucks
*	*	*	*	*	Equipment
<u>Public Ways and Facilities</u>					
OC Public Works					
1	1	1	1	1	Hall of Administration
1	1	1	1	1	Data Center
60	59	59	59	59	Alternate Fuel Vehicles
51	50	50	50	47	Vehicles/Trucks
OC Flood Control District					
13	13	19	11	11	Watersheds
3	3	3	3	3	Dams
5	5	13	13	13	Dump Trucks
5	5	10	19	19	Tractors
8	12	15	14	14	Trailers
156	165	161	122	166	Vehicles/Trucks
Roads					
319	320	320	320	320	Street Miles
4	11	9	1	8	Dump Trucks
6	3	4	3	12	Tractors
10	5	9	11	14	Trailers
151	146	151	144	158	Vehicles/Trucks

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

Function/Program	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
<u>Health and Sanitation</u>					
Clinics (1)	4	4	4	4	3
Laboratories (1)	2	2	2	2	2
Trailers (1)	10	9	12	12	8
Vehicles and Trucks (1)	33	30	24	24	25
OC Community Resources					
Animal Care Center	1	1	1	1	1
Trailers	2	3	3	3	3
<u>Public Assistance</u>					
Social Service Agency					
Vehicles	2	4	5	5	5
Office Locations	20	20	20	20	19
<u>Education</u>					
Library Branches	33	33	33	33	33
Library Headquarters	*	*	*	*	*
<u>Recreation and Cultural Services</u>					
OC Community Resources					
Park Land (acres)	62,900	62,900	62,900	62,900	60,500
Recreational Trails (in miles)	295	295	295	295	295
Zoo	1	1	1	1	1
Urban Regional Parks	15	15	15	15	15
Wilderness Parks	5	5	5	5	5
Nature Preserves	4	4	4	4	4
Harbors	3	3	3	3	3
Beaches	11	11	11	11	11
Historical Sites	7	7	7	7	7
Boats	9	10	8	7	7
Tractors	26	26	25	26	28
Trailers	35	33	31	27	29
Vehicles/Trucks	207	199	204	174	170
Dana Point Harbor					
Harbor	1	1	1	1	1
Marinas	2	2	2	2	2
Public Parking Areas	9	9	9	9	9
Beaches	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6
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	24	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	1	*	*
Parcel 23 (Yacht Club)	1	1	1	*	*

Note: (1) Presentation changed in FY 2014-15 to summarize by asset

(2) * means Not Available

Source: County Departments

Fiscal Year					Function/Program
2012-13	2011-12	2010-11	2009-10	2008-09	
					<u>Health and Sanitation</u>
3	3	2	2	2	Clinics (1)
2	2	2	2	1	Laboratories (1)
11	27	27	27	27	Trailers (1)
25	24	27	26	25	Vehicles and Trucks
					OC Community Resources
1	1	1	1	1	Animal Care Center
3	3	3	3	3	Trailers
					<u>Public Assistance</u>
					Social Service Agency
6	10	10	8	7	Vehicles
20	20	19	20	21	Office Locations
					<u>Education</u>
33	33	33	33	33	Library Branches
*	*	1	1	1	Library Headquarters
					<u>Recreation and Cultural Services</u>
					OC Community Resources
59,318	57,688	57,688	39,490	39,490	Park Land (acres)
295	295	295	292	300	Recreational Trails (in miles)
1	1	1	1	1	Zoo
15	12	12	12	12	Urban Regional Parks
5	5	5	5	5	Wilderness Parks
4	4	4	4	3	Nature Preserves
3	2	2	2	2	Harbors
11	9	9	9	9	Beaches
7	7	7	7	7	Historical Sites
9	21	15	14	14	Boats
24	26	22	18	17	Tractors
33	30	24	20	17	Trailers
211	188	233	208	176	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
1	1	1	1	1	Beaches
6	6	6	6	6	Access Points to Ocean
1	1	1	1	1	Hotel
1	1	1	1	1	Ocean Education Center
1	1	1	1	1	Sailing and Events Center
23	25	25	25	26	Shops
16	16	15	16	15	Restaurants
1	1	1	1	1	Fuel Dock
1	1	1	1	1	Shipyard
15	15	15	15	15	Boater Service Buildings
*	*	1	*	*	Parcel 11 (Yacht Building Company)
*	*	1	*	*	Parcel 23 (Yacht Club)

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

Function/Program	Fiscal Year				
	2017-18	2016-17	2015-16	2014-15	2013-14
<u>Airport</u>					
Acres	501	501	501	501	501
Runways	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5
Terminals	3	3	3	3	3
Fire Trucks	4	4	4	4	4
<u>Waste Management</u>					
Active Landfills	3	3	3	3	3
Inactive Landfills	2	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4	4
Dozers	6	6	8	7	7
Dump Trucks	10	10	10	10	10
Loaders	12	12	21	20	20
Scrapers	6	6	8	8	8
Excavators	2	2	2	2	2
Tractors	35	27	30	28	29
Graders	4	4	4	4	4
Compactors	7	7	8	8	8
Water/Fuel Trucks	14	14	13	13	13
Sweeper	1	*	*	*	*

* means Not Available

Source: County Departments

Fiscal Year					Function/Program
2012-13	2011-12	2010-11	2009-10	2008-09	
					<u>Airport</u>
501	501	501	501	501	Acres
2	2	2	2	2	Runways
5	5	5	5	5	Public Parking Structures/Lots
3	3	1	1	1	Terminals
4	4	4	4	4	Fire Trucks
					<u>Waste Management</u>
3	3	3	3	3	Active Landfills
2	2	2	2	2	Inactive Landfills
					Household Hazardous Waste
4	4	4	4	4	Collection Centers
7	8	8	10	10	Dozers
12	12	14	14	14	Dump Trucks
20	21	22	21	21	Loaders
8	8	11	13	13	Scrapers
2	2	2	-	-	Excavator
28	29	29	29	28	Tractors
4	4	4	3	6	Graders
8	8	8	5	5	Compactors
11	11	11	12	13	Water/Fuel Trucks
*	*	*	*	*	Sweeper



Orange County Auditor-Controller

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OC Auditor-Controller: www.ac.ocgov.com
County of Orange: www.ocgov.com

APPENDIX B
INVESTMENT POLICY

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Orange County Treasurer



2019 Investment Policy Statement

(Approved By B.O.S. 12/18/2018)

TABLE OF CONTENTS

Page No.

I.	Policy Statement.....	3
II.	Scope	3
III.	Prudence	4
IV.	Delegation of Authority	5
V.	Objectives	5
VI.	Authorized Investments.....	6
VII.	Investment Credit Rating Restrictions	9
VIII.	Diversification and Maturity Restrictions	11
IX.	Prohibited Transactions	12
X.	Ethics and Conflict of Interest.....	13
XI.	Authorized Broker/Dealers and Financial Institutions	13
XII.	Performance Evaluation	14
XIII.	Safekeeping	14
XIV.	Maintaining the Public Trust.....	15
XV.	Internal Controls.....	15
XVI.	Earnings and Costs Apportionment.....	15
XVII.	Voluntary Participants.....	16
XVIII.	Withdrawal	16
XIX.	Performance Standards	17
XX.	Investment Policy Statement Review	17
XXI.	Financial Reporting	17
XXII.	Legislative Changes	17
XXIII.	Disaster Recovery Program.....	18
XXV.	Glossary.....	19

ORANGE COUNTY TREASURER INVESTMENT POLICY STATEMENT

PURPOSE

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (the “Treasurer”) and outline the policies to assist in maximizing the efficiency of the Treasurer’s cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer’s Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. (All references are to the California Government Code unless otherwise stated.)

I. POLICY STATEMENT

The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the “OCIF”), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

1. FUNDS

The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all monies under the investment authority of the Treasurer, including funds, and subsets of funds for the Orange County Department of Education; and excluding the County employee’s pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds that are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County’s CAFR and include:

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary Funds
- Any other funds or new funds created by the County, unless specifically exempted

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

- i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements generally longer than one year. It will be invested primarily in high grade securities.
- ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash-equivalent securities to fulfill the primary goals of safety and liquidity.

b) Specific Investment Accounts:

From time to time, the Treasurer may be asked by the County or a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities, either in a pool or in specific investments as allowed by Government Code. The County or the participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years, unless the appropriate legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment. Strategies for such deposits may include matching maturities with long-term liabilities.

III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and

the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Treasurer and those delegated staff shall act in accordance with written procedures and the Investment Policy Statement, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

1. SAFETY

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

- a) **Credit Risk:** Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.
- b) **Market Risk:** Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

2. LIQUIDITY

Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

3. YIELD

Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic

cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

4. MARK-TO-MARKET

Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a \$1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than \$.9975, holdings may be sold as necessary to maintain the NAV above \$.9975.

The Treasurer will also act on a "best efforts" basis to keep any short-term pools above \$.9975 and will provide the NAV of all pools in the monthly report. However, the \$1.00 NAV is not guaranteed or insured by the Treasurer for any pool, including any longer-term pool, nor are the pools registered with the Securities Exchange Commission (SEC).

VI. AUTHORIZED INVESTMENTS

The County is authorized by Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Sections VII and VIII, the pools may invest in the following areas.

1. U. S. TREASURY SECURITIES

United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of any individual pool's total assets that can be invested in this category.

2. U. S. GOVERNMENT AGENCY SECURITIES

Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of any individual pool's total assets that can be invested in this category including no issuer limit.

3. COMMERCIAL PAPER

Eligible commercial paper shall not exceed 270 days maturity, and shall not exceed 40% of any individual pool's total assets. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):

- a)** Has total assets in excess of five hundred million dollars (\$500,000,000), is organized and operating within the United States as a general corporation and has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

- b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond.

No more than 5% of any individual pool's total assets may be invested in any one issuer's commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT

Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank. No more than 20% of any individual pool's total assets may be invested in negotiable certificates of deposit and maximum remaining maturity cannot exceed eighteen months.

5. REPURCHASE AGREEMENTS

Investments in repurchase agreements for the purpose of this Investment Policy Statement means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

a) Collateralization:

In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2. Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. No collateral substitutions may be made without prior approval of the Treasurer.

Investments in repurchase agreements are limited to no more than 20% of any individual pool's total assets. Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. BANKERS' ACCEPTANCES

Bankers' acceptances, also known as time drafts or bills of exchange, that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. MONEY MARKET MUTUAL FUNDS

Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

- a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.
- b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000.

8. STATE POOL – LOCAL AGENCY INVESTMENT FUND

The Treasurer may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity. Investments in LAIF shall not exceed the current State limit (currently at \$65 million per pool).

9. MUNICIPAL DEBT

Such instruments are defined as being issued by a local or state agency, including:

- a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.
- b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.
- c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

10. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and two years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Investments in medium-term notes are limited to no more than 20% of any individual pool's total assets.

11. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets. No more than 10% of any individual pool's total assets shall be invested in a single investment pool.

12. SUPRANATIONAL SECURITIES

Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

Credit ratings will be applied at the time of purchase of a security and monitored for changes while owned. A downgrade subsequent to purchase in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities that are downgraded below the minimum acceptable rating levels must be reviewed for possible sale by the Treasurer within a reasonable amount of time.

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 at least 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”	S&P
“P-1” or “MIG 1/VMIG 1”	Moody’s
“F1”	Fitch

Split ratings below the minimum rating required 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 “AA” 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 that rate the issuer 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 each of the 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%	5 Years	5 Years	397 Days
Municipal Debt	100%	20% Total, no more than 5% in one issuer except 10%- County of Orange	5 Years	3 Years	397 Days
Medium-Term Notes	30%	20% Total, no more than 5% in one issuer	5 Years	2 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	20% Total, no more than 5% in one issuer	5 Years	18 months	397 Days
State of California Local Agency Investment Fund	\$65 million per account	State limit (currently \$65 million per pool)	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	180 Days	1 Year
Money Market Mutual Funds (MMMF)	20%	20% Total, no more than 10% in one MMMF account	N/A	N/A	N/A
JPA Investment Pools (JPA)	100%	20% Total, no more than 10% in one JPA Pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

2. MATURITY

- a) The weighted average maturity (WAM) of any short-term pool, on a dollar-weighted basis, shall not exceed 60 days.
- b) The maximum maturity of any investment purchased will be five years with the exception of investments and investment pools authorized by the Board of

Supervisors or the appropriate legislative body to be invested in longer than five year maturities.

The following restrictions will apply:

Short-term	13 months (397)
Long-term	5 years

- c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.
- d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

3. DURATION

- a) All pools, except short-term pools, shall have a maximum duration of 1.50 years.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the Government Code, as may be amended from time to time. No investment prohibited by Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuations that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty **at time of purchase** must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:

- a) Borrowing for investment purposes ("Leverage").
- b) Reverse Repurchase Agreements, as defined by Government Code Section 53601(j) (3) and (j) (4) or otherwise.
- c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate,

SOFR or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds or callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.

d) Structured Investment Vehicles (SIV).

e) Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors (“outside entities”) that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

1. STATEMENT OF ECONOMIC INTEREST FORM 700

The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County’s Conflict-of-Interest Code.

2. COUNTY’S GIFT BAN ORDINANCE – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.

The County’s Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and “designated employees” from business entities and individuals that “do business with the County” as that termed in defined in the Ordinance. Under the Ordinance, the term “designated employee” includes every employee of the County who is designated in the County’s Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer’s Office, “designated employees” include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of “designated employees” periodically and submit any proposed changes to the Board of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a “primary” or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations

Code or a “well capitalized” national bank or Federal savings association as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section 27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period.

The Treasurer shall conduct an annual review of each broker/dealer and financial institution’s financial condition and registrations to determine whether it should remain on the approved broker/dealer list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall strive to open an application period every two years for all new and existing broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved broker/dealer list. This detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

XII. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31, 40, 72 and 84, the Treasurer shall provide financial information on investments for the County’s Comprehensive Annual Financial Report.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCIF or the specific pool name as its registered owner except for municipal debt issued by the County of Orange and privately placed with the County Treasurer in which case the investments shall have the Orange County Treasurer on behalf of the OCIF as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer (this does not apply to money market funds or investment pools). The third party custodian shall be

required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code Sections 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Department's Accounting/Compliance Unit. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

1. INVESTMENT PROCEDURES

The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

XVI. EARNINGS AND COSTS APPORTIONMENT

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

As authorized by Government Code Section 27013, the Treasurer who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid

into the county general fund. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code Sections 27130 through 27137 shall be included as an eligible administrative cost. These investment administrative costs will be deducted from any interest or income, prior to distribution to the pool participant. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise this investment administrative fee charged in accordance with Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.

Investment earnings and the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. As of the first working day of the following period, the pool participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs. The Treasurer's monthly report will state the current estimated fees charged to participants.

XVII. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Government Code Section 53684 and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of Government Code Section 27136, and the agency's understanding that investment administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing. Upon the Treasurer's approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the OCIF and shall be invested by the Treasurer in accordance with this Investment Policy Statement, as amended from time to time. The local agency's authorized representative will execute an agreement with the Treasurer. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest local agency's excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

As required by Government Code Sections 27000.3, 27133(h), 27136 and 53684(c), withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury.

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on, in order of importance, preservation of capital, liquidity, and yield.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

XX. INVESTMENT POLICY STATEMENT REVIEW

This Investment Policy Statement shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to for review and approval by, the Board of Supervisors in an open session.

XXI. FINANCIAL REPORTING

The monthly Treasurer's Investment Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, the Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

All reports filed by the Treasurer in accordance with Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with Government Code 53646(b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

XXIII. DISASTER RECOVERY PROGRAM

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office, and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

INVESTMENT POLICY STATEMENT GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement. The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS' ACCEPTANCE (BA): Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

*+ (positive)

Credit is under review for possible upgrade.

*- (negative)

Credit is under review for possible downgrade.

*

Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as **discount securities**. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the “average maturity” of an investment portfolio using each investment’s maturity weighted by the size of that investment.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see Nationally Recognized Statistical Rating Organization)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, London Interbank Offered Rate (LIBOR), Secured Overnight Financing Rate (SOFR) etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTORLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in \$1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REFUNDED BOND: A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR'S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE (SIV): A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

SUPRANATIONAL: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

$$(\text{Price appreciation}) + (\text{Dividends paid}) + (\text{Capital gains}) = \text{Total Return}$$

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB) and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury bills: non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.

Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.

Treasury bonds: interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.