

**COUNTY OF ORANGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2002**

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December 12, 2002

Honorable Board of Supervisors
County of Orange
Santa Ana, California

Your Honorable Board:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California, for the fiscal year ended June 30, 2002, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

This CAFR was prepared to satisfy the new financial reporting requirements for state and local governments issued by the Governmental Accounting Standards Board (GASB), specifically GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34), and subsequent related statements issued by the GASB. This is the County's first financial report issued under the new governmental reporting model, although the County issued "Pro Forma" financial reports using the new model for fiscal years ended June 30, 2000 and June 30, 2001 in preparation for converting to the new reporting requirements. Further information regarding the new reporting requirements can be found in Note 1.O in the Notes to the Basic Financial Statements. The primary differences between the old financial reporting model and the new GASB Statement No. 34–based reporting model are summarized in Note 1.B in the Notes to the Basic Financial Statements.

The CAFR has been audited by the independent certified public accounting firm of Macias, Gini & Company LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County of Orange for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent certified public accounting firm concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the County of Orange's financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, which collectively comprise the basic financial statements, as of and for the fiscal year ended June 30, 2002, present fairly, in all material respects, the financial position, changes in financial position and cash flows, where applicable, of the County of Orange in conformity with generally accepted accounting principles.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Information related to this single audit, including the Schedule of Expenditures of Federal Awards, Findings and Questioned Costs, and the independent auditor's reports on internal control and compliance with applicable laws and regulations, are included in a separate annual publication.

Copies of this CAFR, the Single Audit Report, the County Proposed and Final Budgets, booklets specifying the tax rates and assessed valuations of taxing agencies in Orange County, and financial reports of certain funds or functions for which the County has fiduciary responsibility, may be obtained from the office of the County Auditor-Controller.

PROFILE OF THE GOVERNMENT

The County of Orange, 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. Orange County occupies a land area of 798 square miles with a coastline of 42 miles serving a population of over 2.9 million. It represents the second most populous county in the state, and ranks fifth in the nation. Population growth exceeded that of the state in 2001 (2.06% vs. 1.9%).



The County of Orange 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 all other respects, the County is like a general law county. The County is governed by a five-member Board of Supervisors, who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each equal in population. The district boundaries were revised effective September 14, 2001, incorporating the results of the 2000 census. A County Executive Officer (CEO) directly or indirectly oversees 23 County Departments, seven of which have elected department heads. The preceding Supervisorial Districts map shows the boundaries of Orange County and the area governed by each member of the Board of Supervisors.

The County provides a full range of services, including countywide services, unincorporated area services, and contract services for cities. These services are outlined in the following table:

<i>Countywide Services</i>	<i>Unincorporated Area Services</i>	<i>Contract Services for Cities</i>
Affordable Housing (Housing Authority)	Animal Control	Animal Control
Agricultural Commissioner	Land Use	Law Enforcement
Airport	Law Enforcement	Libraries
Child Protection & Social Services	Libraries	Public Works & Engineering
Clerk-Recorder	Parks	
Coroner & Forensic Services	Public Works & Engineering	
District Attorney	Roads	
Elections & Voter Registration	Surveyor	
Environmental Health	Water Disposal Collection	
Family Support Collection		
Flood Control & Transportation		
Grand Jury		
Harbors, Beaches & Parks		
Indigent Medical Services		
Jails & Juvenile Facilities		
Juvenile Justice Commission		
Landfills & Solid Waste Disposal		
Law Enforcement		
Probationary Supervision		
Public Administrator/Guardian		
Public Assistance		
Public Defender/Alternate Defense		
Public & Mental Health		
Tax Assessment & Collection		
Weights & Measures		

In addition to these services, the County is also financially accountable for the reporting of component units. Blended component units, although legally separate entities, are, in substance, part of the County's operations, and therefore data from these units are combined with data of the County. The County has one component unit, the Orange County Children and Families Commission (OCCFC), which requires discrete presentation in the government-wide financial statements. The following entities are presented as blended component units in the basic financial statements for the fiscal year ended June 30, 2002: the Orange County Flood Control District, Orange County Development Agency, Orange County Housing Authority, Orange County Civic Center Authority, Orange County Financing Authority, Orange County Special Financing Authority, Orange County Public Financing Authority, Orange County Public Facilities Corporation, and certain special districts. Additional information on these entities can be found in Note 1.A in the Notes to the Basic Financial Statements.

The County maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of the General Fund and most of the Special Revenue, Debt Service, and Capital Projects 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 fund-agency 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 Statement for the General Fund and Major Special Revenue Funds are part of the Basic Financial Statements. For Nonmajor Governmental Funds with appropriated annual budgets, this comparison is presented in the Supplementary Information 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; encumbrances outstanding at that time are reported as reservations of fund balance for the following year's budget. Additional information on the budgetary process can be found in Note 1.D in the Notes to the Basic Financial Statements.

The County of Orange Internet Site at <http://www.oc.ca.gov> provides extensive information about County government and its services to the citizens of Orange County and others who visit our web pages. Approximately 300,000 visits are made to the Orange County web site each month and those visitors view over 1 million pages of information. The County's website includes information about the Board of Supervisors, e-mail to Board offices, Board Agendas, County job listings, Purchasing bid solicitations, County directories and general information, assessment appeals, links to court information and local court rules, voter information, County permits and forms, financial information such as the County tax rate book, the budget, and the four most recent CAFRs. The site also provides several online services, including the ability to listen to Board meetings live and archived, online public comments to Board agendas, County purchasing online, ordering birth, death and marriage certificates online, performing a fictitious business name search, and looking up election results and polling places. The County continues to improve the website by increasing citizen's ability to conduct business online with the County.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Orange County is fortunate to have a strong and diverse local economy that routinely outperforms the state and national economies (in annual percentage growth), and ranks higher (in absolute dollars) than the economies of the majority of the countries in the world. However, as Chapman University Center for Economic Research reports, "It seems as if the national recession has finally caught up with Orange County." This section provides various indicators that describe the projected outlook of the Orange County economy.

The growth in the Real Gross County Product (GCP - a measure of the value of goods and services produced in one year and an indicator of the strength of the local economy) was estimated by Chapman University to increase by 2.3% in 2002 and reach \$121.5 billion. The 2002 GCP represents a revised forecast that adjusts for prior year GCP indicators. The Orange County 2002 GCP compares to an increase in Gross State Product (for California) of 1.47% and an increase in Gross Domestic Product of 3.54% at the national level during the same time period.

Orange County's unemployment rate continues to be one of the lowest in the State, and is below that of all surrounding Southern California counties, the state of California and the nation. In October 2002, unemployment rates for the U.S., California and Orange County were recorded at 5.7%, 6.2%, and 4.0% respectively. In October 2002, rates for surrounding counties in Southern California were 6.1% for Los Angeles County, 6.5% for Riverside County, 5.6% for San Bernardino County and 4.2% for San Diego County. According to Chapman University, Orange County's job growth in 2002 totaled .29% (approximately 4,156 new jobs) and is projected to average 1.61% (approximately 22,914 new jobs) through the end of 2003.

Inflation, as measured by the Consumer Price Index (CPI), is also expected to remain moderately low in Orange County, despite being higher than the CPI at the state and national levels. Chapman University projects the CPI at the national level to increase by 2.3%, in California by 2.4%, and in Orange County by 2.7% in 2003.

According to DataQuick Information Systems, in October 2002 the median price for new and existing homes in Orange County increased by 19% (relative to October 2001), and reached \$369,000. Housing appreciation in Orange County has been rapid in response to the high demand for housing caused by low interest rates and a tight supply of housing. For the future, Chapman University is projecting that housing appreciation will slow down, due primarily to the expected slowdown of the local economy.

Orange County's median family income is projected by the U.S. Department of Housing and Urban Development to increase by 2.6% in 2002, reaching \$75,600. This compares to 4.1% (reaching \$60,800) for the State of California and 3.6% (reaching \$54,400) for the U.S. in 2002. Taxable sales in Orange County are projected by Chapman University to increase by 1.2% in 2002 and forecast to increase by 3.4% in 2003.

Retirement

In 2000, the Governor signed Assembly Bill 1937 into law. The Bill gave the State Public Employees Retirement System and 1937 Act Retirement Plans (which includes Orange County's Retirement System) the option to offer a new benefit formula known as 3% at 50 for public safety members. The Association of Orange County Deputy Sheriffs (AOCDS) requested a contract re-opener to discuss this benefit. Based on market research and the need to maintain competitiveness in the public safety labor market, the County Board of Supervisors amended the AOCDS Memorandum of Understanding on December 4, 2001, implementing a 3% at 50 retirement formula for public safety employees effective June 28, 2002. The initial estimated annual cost of this benefit is \$14.7 million and will be funded by a combination of existing Public Safety Sales Tax, law enforcement contract revenue, contributions from the public safety employees and from the County General Fund. Costs of this benefit have been included in the County's 2002 Strategic Financial Plan. In addition, the County Board of Supervisors adopted amendments to the Probation Services Unit and the Supervising Probation Officers Unit Memoranda of Understanding in May 2002, implementing prospective safety retirement benefits for these units. Beginning on June 28, 2002, a 2% at 50 safety retirement formula was implemented for the Probation units. Beginning in June 2003, the retirement formula will change to 3% at 50. The financial impact of this change will be incorporated in the next strategic financial plan.

Property Tax Assessment Appeals

In November 2001, an Orange County Superior Court judge ruled in favor of a Seal Beach property owner who had filed an assessment appeal with the County Assessment Appeals Board No. 3, citing an unlawful assessment of his parcel in excess of the 2 percent provision of Proposition 13. The judge declared that the County Assessor had used an illegal assessment method in recapturing the Proposition 13 values of the homeowner's parcel. The County Assessor is currently considering asking for the appellate court review of the ruling. If the court's ruling is upheld, the County could potentially face refunding millions of dollars to taxpayers, which is currently estimated at \$41.7 million for fiscal years 1998-99 through 2001-02, and reduction in future tax revenues. Additional information on this topic can be found in Notes 17 and 21 in the Notes to the Basic Financial Statements.

Water Quality

The County and cities received two new area-wide municipal storm-water permits in January and February of 2002 from the California Regional Water Quality Control Boards covering Orange County. The County is the lead permittee under both permits. The new permits are much stricter and more detailed than previous municipal storm-water permits and also impose significant new requirements related to non-storm urban runoff. The permittees are required to review plans and inspect projects to ensure compliance, monitor streams and flood control channels, and report their activities and monitoring results to the Regional Water Quality Control Boards. The permits require new management practices in all thirteen watersheds in the County, and direct the permittees to cooperate in appropriate regional and

watershed water quality management programs. The County and cities must determine and implement best management practices (BMP's) for public projects, commercial/industrial activities, construction sites, and municipal operations and maintenance activities to prevent pollution from contaminating streams, beaches and ocean waters through the storm drain system.

The Public Facilities and Resources Department (PF&RD) has organized committees of co-permittee representatives to develop countywide model program elements, including assessment, monitoring, and inspection programs, as well as BMP's. County involvement must also include the CEO, the Planning and Development Services Department (PDSD) and the Health Care Agency (HCA), in addition to PF&RD. The cost of these activities is substantial, and management is considering a variety of potential funding sources to minimize the impact on the County General Fund.

Long-Term Financial Planning

Strategic Plan: In March 1997, the Orange County Board of Supervisors initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability and efficiency. As a result, the County has produced five Strategic Financial Plans, the most recent being adopted by the Board on December 5, 2001. The plan includes projections of County general purpose revenues, departmental projections of operating costs, revenues and capital needs for current programs and services and anticipated caseload changes. New programs, services and capital projects are identified and put in priority on a countywide basis to the extent that resources and requirements remain in balance over the next five years. The plan covers a five-year period and includes a ten-year analysis of operating costs in cases where new programs and facilities are recommended to ensure the ability to pay for long-term operational costs. This plan provides the Board with a comprehensive long-term view that serves as a framework in which to fund public services to sustain the well-being of the community. The plan alerts the County to potential financial obstacles on the planning horizon and allows time to proactively plan ways in which to deal with those challenges successfully. The plan is currently being updated and will be presented to the Board in early 2003.

Marine Corps Air Station Tustin: In 1991 and 1993, the Marine Corps Air Station (MCAS) Tustin was noticed for closure by the Federal Government. This 1600-acre base is located primarily within the City of Tustin, and a small portion is located within the City of Irvine. The City of Tustin was designated as the Local Redevelopment Authority (LRA) by the Department of Defense at this time, and is responsible for completing a community reuse plan for this now closed military facility. In 1995, the Board of Supervisors approved several proposals for submission to the Tustin LRA for inclusion in the planning efforts for base reuse. These regional projects include: Urban Regional Park, relocation of the Animal Care Center, the Orange County Regional Law Enforcement Training Center, and various flood control and trail facilities.

These submittals were approved by the City of Tustin as part of the MCAS Tustin Specific Plan/Reuse Plan. The County also pursued the necessary Federal approval for these submissions on a parallel track, and various approvals were secured in 1994, 1999 and 2000. The City of Tustin endorsed the County's conceptual plan for reuse of proposed conveyances to the County in May 2000. Designs of individual County uses followed these approvals.

In 1999, the County also entered into an agreement with the Department of the Navy (DON), the California State Historic Preservation Officer, and the Federal Advisory Council on Historic Preservation concerning the disposition of Blimp Hangar #1 (which is part of the Urban Regional Park Site). A study concerning Reuse Assessment of this structure was completed in 2001. Other buildings conveyed to the County were also independently assessed in 2001.

As the base closure process continued, key milestones were reached in 2001 as the City of Tustin adopted a General Plan Amendment to implement the proposed base reuse plan, and also certified the necessary Environmental Impact Report (EIR). In March 2001, the DON issued its Record of Decision (ROD) and the Environmental Impact Statement (EIS) as required by Federal Law. Litigation ensued and was subsequently resolved at each level.

The DON signed the City of Tustin's Economic Development Conveyance in March 2002. In 2002, the Board of Supervisors selected a planning consultant to conduct a comprehensive site plan for all County uses in the Regional Park site, review hazardous materials studies performed by the DON, and provide a detailed analysis of the potential costs of utilizing the properties to be conveyed to the County of Orange. The County is also working with the DON to prepare a Lease in Furtherance of Conveyance for Board of Supervisors consideration. Additionally, the Board also authorized a feasibility study for reuse of the blimp hangar as a military museum. Solicitations for other blimp hangar reuse concepts will be sought later this year. The results of all of the studies and the solicitation will assist the Board of Supervisors in providing policy direction in 2003.

Marine Corps Air Station El Toro: On March 5, 2002, Orange County voters passed Measure W, the Orange County Central Park and Nature Preserve Initiative. The initiative amended the Orange County General Plan and restricts the types of land uses on County-owned land within unincorporated County territory at the former Marine Corps Air Station (MCAS) El Toro. The passage of Measure W repealed a previous voter adopted measure, Measure A, which designated much of MCAS El Toro for civil aviation and related uses. The Measure W Initiative is the subject of on-going litigation.

On April 16, 2002, following the passage of Measure W, the Board of Supervisors directed that the County not develop a Measure W reuse plan for MCAS El Toro. The Board further directed that the County negotiate with the DON to terminate the Master Lease with the Navy for the property at MCAS El Toro. In addition, the Board took action supporting annexing MCAS El Toro to the City of Irvine, excluding areas designated for County regional facilities. On June 25, 2002, the Board approved the termination of the Master Lease with the DON, effective June 30, 2002. In addition, the Chair of the Board withdrew her support for annexation of MCAS El Toro to the City of Irvine. As a result, the County is no longer assisting the City of Irvine in the annexation process.

Subsequent to June 30, 2002, the County has proceeded to complete all close-out activities associated with the termination of the County's Master Lease with the DON, and those activities associated with planning for civil aviation facilities and related uses at MCAS El Toro.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project is a major flood control project, which when fully completed, is designed to prevent the type of devastating damage caused by large-scale flooding that can occur on the average of once every 190 years in the Santa Ana River flood plain. This project involves a combination of flood channel widening and reinforcement, construction of a new dam, Seven Oaks Dam, and raising the existing Prado Dam. The U.S. Army Corps of Engineers (COE) has agreed to designate the Prado Dam feature of this project as a separate element, with a separate implementation and cost share agreement between the COE and the Orange County Flood Control District (OCFCD) only. Upon approval of the new agreement, the OCFCD's funding requirement is guaranteed not to exceed 50% of the costs for the Prado Dam element.

The Federal government, OCFCD, San Bernardino County Department of Transportation/Flood Control District, and Riverside County Flood Control and Water Conservation District are cost sharing this project based on the COE's estimated total cost of \$1.4 billion. The OCFCD currently estimates its share of the costs to be \$413 million for acquisition of real property rights for construction of this project, relocation of designated roads, bridges, trails, channels and utilities, and construction cost share contributions.

OCFCD's remaining share of the project's costs exceeds current available funds. However, this project has been authorized by the State Legislature, making it eligible for State Flood Control Subventions (reimbursement of 70% of OCFCD expenditures). An estimated \$44 million in budgeted or encumbered funds are expected to be reimbursed to the OCFCD over the next 12 months, after audit, by the State Department of Water Resources (DWR). Once a claim is reviewed and approved by the DWR, 90% of the eligible expenditures can be paid if funds are available, with the remaining 10% paid after an audit by the State Controller's Office. As of June 30, 2002, the OCFCD has spent an estimated \$212 million on this project, with resulting claims for estimated reimbursement of \$146 million, which have already been submitted or will be submitted over the next 12 months. To date, the OCFCD has submitted \$134 million in claims for reimbursement of eligible expenditures and received \$101 million in reimbursements. The County does not accrue these claim amounts as revenue due to the uncertainty of DWR eligibility approval and the typical lengthy review and audit completion time periods after claim submission.

Trial Court Facilities: On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). This landmark legislation shifts governance of California's more than 450 courthouse facilities from the counties to the State. Although the bill will take effect on January 1, 2003, it is anticipated that the transition time will take up to 7 years. Court master planning by the State has already begun in Orange County. The County will develop a transition plan that will identify the impacts and the steps necessary to ensure a smooth and timely transition. Some important areas to consider in the development of the transition plan will be bonded indebtedness, County department staff within court facilities, deferred maintenance, and capital projects. Once completed, this transfer will cap the County's financial obligation to court facilities to a Maintenance of Effort amount established under the legislation.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in the Orange County Investment Pools. The Treasurer maintains two separate investment pools, the Orange County Investment Pool (County Pool) and the Orange County Educational Investment Pool (Educational Pool), the latter of which is utilized exclusively by the County's school districts. The California Government Code and the Treasurer's Investment Policy Statement (IPS) govern the investment of the County and Educational Pools. The IPS is submitted annually to the Treasury Oversight Committee and the Board of Supervisors and authorizes investments in the following categories: U.S. Government securities, securities of federally sponsored agencies, domestic commercial paper, negotiable certificates of deposit, repurchase agreements, banker's acceptances, money market mutual funds, State of California or California Municipal debt, receivable backed securities and medium term notes. The IPS prohibits borrowing for investment purposes, reverse repurchase agreements, and volatile structured notes and derivatives. For purposes of determining net asset value of the funds, investments are marked to market on a daily basis. If the net asset value of either the County Money Market Fund or the Educational Pool is less than \$.995 or greater than \$1.005, portfolio holdings may be sold as necessary to maintain the ratio between \$.995 and \$1.005.

The IPS establishes a Money Market Fund and an Extended Fund. Both of these funds are components of the County Pool. Only the Money Market Fund is a component of the Educational Pool. The maximum term of any investment in the Money Market Fund remains thirteen months and the weighted average maturity is limited to ninety days. The maximum term of any investment under the Extended Fund is three years with the weighted average maturity limited to eighteen months. The Treasurer will determine, based on cash flow projections, the amount of money to invest in the Extended Fund.

In addition to "Pooled Cash/Investments," the Treasurer maintains individual specific investments for certain funds. These amounts comprise a small portion of the total investments managed by the Treasurer. The permitted investments for these funds are dictated by operation of federal or state statute, bond documents, and by mutual agreement with the investing entity.

The County held a portion of its Restricted Cash and Investments with Trustee in the form of non-participating Bank Investment Contracts (BICs). These BICs are considered deposits with financial institutions and amount to \$13.1 million, of which \$200 thousand was insured by the FDIC insurance with \$1.5 million collateralized for non-pooled investments BICs and \$11.6 million uncollateralized for the Restricted Cash and Investments BICs. The remaining portion of the County's deposits are either insured by federal depository insurance or are collateralized with securities having a market value of at least 110 percent of the deposits in accordance with Section 53652 of the California Government Code. Collateral of 150 percent is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. Portfolio investments, other than money market mutual funds, are held by a third party custodian in the County's name and are classified in the category of lowest custodial credit risk as defined by the GASB.

At June 30, 2002, the weighted average maturity of the County Pool was 179 days and the Educational Pool was 57 days. The average daily investment balance of the County Pool and the Educational Pool amounted to \$46 billion and \$39 billion, with an average effective yield of 3.11 percent and 2.80 percent, respectively, for the fiscal year ended June 30, 2002. The pools managed by the Treasurer have outperformed their designated benchmarks of the 90-day U.S. Treasury Bill and an average of four similar institutional money market funds. Additional information on the County's cash management policies and practices can be found in Note 4 in the Notes to the Basic Financial Statements.

Risk Management

The County has maintained a formal risk management program since the mid 1970's. Risk Management functions include: risk identification, avoidance, prevention, transfer, mitigation and financing programs. Risk financing is achieved through both self-insurance (risk retention) programs and the purchase of commercial insurance. Claims and litigation management also includes subrogation cost recovery activities.

Resources are budgeted in the Workers' Compensation Internal Service Fund and the Property, Casualty and Risk Internal Service Fund. These Internal Service Funds pay program costs including losses, expenses and administration costs. The cash reserves held in these Internal Service funds are restricted to the payment of current and future costs. Actuarial studies are performed annually to determine the funding requirements for these activities.

Commercial insurance coverage is purchased for the County's property and for certain specialized liability exposures related to airport, helicopter, watercraft, and dam operations. Additionally, fine arts, underground storage tank, boiler and machinery, crime bond policies, notary bonds, and excess insurance for liability and workers' compensation are also purchased. All other liability exposures including general, auto and workers' compensation are self-insured. Various risk control techniques including employee accident prevention training and regular work-site inspections have been implemented to minimize losses.

Pension and Other Postemployment Benefits

The County of Orange sponsors a cost-sharing, multiple-employer, public employee retirement system, the Orange County Employees Retirement System (OCERS) for all its employees. OCERS provides for retirement, death, disability and cost-of-living benefits, and complies with the 1937 County Employees' Retirement Law and other applicable statutes. The County funds OCERS through periodic contributions which, when combined with required employee contributions and investment income, will provide retirement benefits for all its employees.

The County's Board of Supervisors and the OCERS Board signed an agreement in 1996 for the use of \$318 million in pension obligation bond proceeds. The proceeds from the bonds were placed in an investment account within OCERS, for the sole purpose of paying County annual obligations for retirement. The investment account is credited with market earnings of OCERS and debited according to a formula that considers available balance and obligations. The investment account balance as of June 30, 2002 was \$195.1 million (unaudited).

The County is required to pay any retirement costs not paid by the investment account. The investment account was originally projected to pay 75% of the County's retirement costs in FY 2001-02; however, due to higher than anticipated investment earnings, the County's \$38.3 million retirement cost for the year was paid entirely by the investment account.

The County of Orange provides two retirement benefit plans for employees performing services at less than half time or as extra help. Employees eligible under these plans are not covered by OCERS. In January 1992, the County adopted the 1992 Defined Benefit Retirement Plan, a single-employer defined benefit retirement plan, to comply with the Omnibus Budget Reconciliation Act of 1990. The County relies on actuarial studies to determine its required contributions to this plan, which, when combined with required employee contributions, will provide retirement benefits to extra-help and part-time employees. On February 28, 2002, this plan was closed to new participants and was replaced by the Defined Contribution Plan, a tax-deferred retirement plan, to cover all new extra-help and part-time employees. Participants of this plan are required to contribute 7.5 percent of compensation each pay period.

In addition to pension benefits, the County also provides post-retirement health care benefits for 4,739 retirees. These benefits are funded from current employee contributions, OCERS and the retirees themselves. All eligible participants must be eligible to retire, have a minimum of 10 years of County service and reached the age of 50. Participants must also be receiving a monthly retirement allowance from OCERS and be enrolled in a County health plan at the time of retirement.

The County also provides its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457 (Deferred Compensation Plan). The Plan allows employees to defer a portion of their salary until future years. The deferred compensation is only available to employees upon termination, retirement, death, or certain other cases. On January 1, 1998, the County placed all Plan assets in trust accounts for the exclusive benefit of its participants to comply with the requirements of the Small Business Job Protection Act of 1996.

Additional information on the County's pension arrangements and post-employment benefits can be found in Notes 19 and 20 in the Notes to the Basic Financial Statements.

AWARDS AND ACKNOWLEDGEMENTS

GFOA Award: The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its CAFR for the fiscal year ended June 30, 2001. 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 generally accepted accounting principles 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 GFOA to determine its eligibility for another certificate.

Governing Magazine: The February 2002 issue of Governing Magazine ranked 40 of the nation's largest counties in the areas of financial management, capital management, human resources, managing for results and information. Overall, Orange County ranked second among California's nine largest counties and in the top 13 nationwide.

Acknowledgments: I would like to express my sincere appreciation to the staff from my office, other County departments, especially the CEO and the PF&RD, the staff of the certified public accounting firm of Macias, Gini & Company LLP, and the GASB 34 Steering Committee and its workgroups for making possible the timely presentation of this CAFR. I hope this report will be of interest and use to those in County government, other governmental agencies, and the public interested in the financial activity of the County of Orange.

Respectfully submitted,

*Original Signed by
David E. Sundstrom*

David E. Sundstrom, CPA
Auditor-Controller

**COUNTY OF ORANGE
PRINCIPAL COUNTY OFFICIALS
JUNE 30, 2002**

Elective Office (Other Than Judicial)

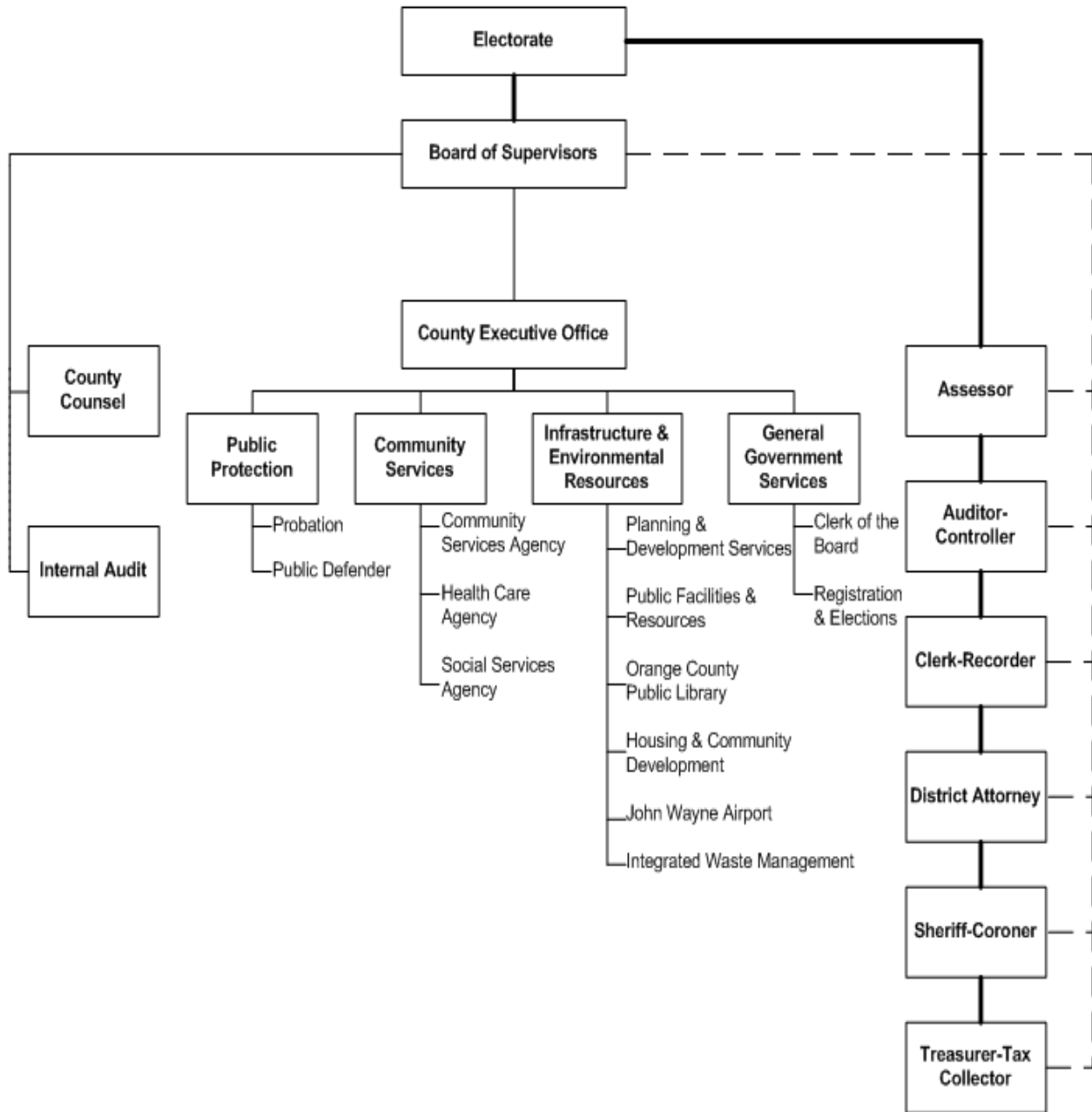
Office Holder

Supervisor, First District	Charles V. Smith
Supervisor, Second District.....	James W. Silva
Supervisor, Third District.....	Todd A. Spitzer
Supervisor, Fourth District.....	Cynthia P. Coad, Chair
Supervisor, Fifth District	Thomas W. Wilson
Assessor	Webster J. Guillory
Auditor-Controller	David E. Sundstrom, C.P.A.
Interim County Clerk-Recorder	Darlene J. Bloom
District Attorney	Anthony J. Rackaukas
Public Administrator.....	William A. Baker
Sheriff-Coroner	Michael S. Carona
Treasurer-Tax Collector	John M. W. Moorlach, C.P.A., C.F.P.

Appointive Office

Clerk of the Board of Supervisors	Darlene J. Bloom
County Counsel	Benjamin P. De Mayo
County Executive Officer	Michael Schumacher, Ph.D.
Assistant CEO, County Financial Officer	Gary C. Burton, C.P.A.
Assistant CEO, Human Resources	Jan Walden
Assistant CEO, Strategic & Intergovernmental Affairs	William D. Mahoney
Assistant CEO, Chief Information Officer	Leo E. Crawford
County Librarian	John M. Adams
County Probation Officer	Stephanie W. Lewis
Director of Community Services Agency	William A. Baker
Director of Health Care Agency	Juliette A. Poulson, R.N., M.N.
Director of Housing and Community Development	Paula Burrier-Lund
Director of Internal Audit.....	Peter M. Hughes, Ph.D., C.P.A., C.I.A., C.F.E.
Director of Integrated Waste Management Department	Jan Goss
Director of John Wayne Airport.....	Alan L. Murphy
Director of Planning & Development Services Department	Thomas B. Mathews
Director of Public Facilities & Resources Department	Vicki L. Wilson
Agricultural Commissioner	Rick M. Le Feuvre
Director of Social Services Agency	Larry M. Leaman
Public Guardian	William A. Baker
Public Defender	Carl C. Holmes
Registrar of Voters.....	Rosalyn A. Lever

**COUNTY OF ORANGE
ORGANIZATIONAL CHART
June 30, 2002**



- Elected by the Public
- -** Elected Officials: Statutorily-Required Board Administrative and Budget Oversight
- Administrative and Budget Direction

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, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Smith Brewer
President

Jeffrey L. Esler
Executive Director





Partners
Kenneth A. Macias, Managing Partner
Ernest J. Gini
Kevin J. O'Connell
Richard A. Green
Jan A. Rosati
James V. Godsey

515 South Figueroa Street
Suite 325
Los Angeles, CA 90071
213•612•0200
213•286•6426 FAX
www.maciasgini.com

Board of Supervisors
County of Orange, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 Children and Families Commission (Commission), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 item O to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2002, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Inacor, Pini & Company LLP

Certified Public Accountants

Los Angeles, California
December 2, 2002, except for
Note 21 item G, as to which the
date is December 12, 2002





MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the County's annual financial report provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2002. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides you with a clearer picture of the County's overall financial status. Comparative financial data is not required in the first year of implementing the new financial reporting model, Governmental Accounting Standards Board (GASB) Statement No. 34 "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," ("GASB 34") and subsequent related GASB statements. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- General purpose revenues were \$47,320, or 13% over budget due mainly to motor vehicle license fees, Teeter net surplus revenues, miscellaneous revenues, secured property taxes and property transfer taxes, received in excess of budgeted amounts. General Fund level departmental revenues ended the year 7% below budget.
- Special program revenues including Trial Court Funding and Health and Welfare Realignment ended the year above budget (5% and 12% respectively). Public Safety Sales Tax revenue ended the year 9% below budget.
- General Fund departmental expenditures ended the year 9.5% below budget.
- At June 30, 2002, unreserved fund balances in the General Fund were \$155,255, or 8.2% of total FY 2001-02 expenditures of \$1,888,977.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

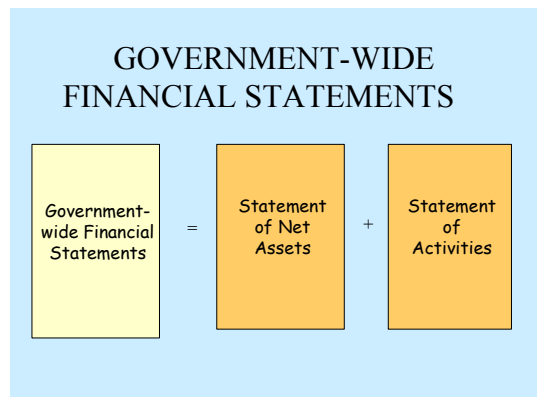
- Government-wide Financial Statements
- Fund Financial Statements,
- Notes to the Basic Financial Statements

In addition to these basic financial statements, other supplemental information has been included in this report:

- Combining Statements for Nonmajor Governmental Funds, Internal Service Funds, and Fiduciary Funds
- Statistical Section

Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Assets and the Statement of Activities. Both of these statements were prepared using accounting methods similar to those used by private-sector companies, the economic resources measurement focus and the accrual basis of accounting. The **Statement of Net Assets** provides information regarding all of the County's assets and liabilities, with the difference between the two reported as net assets. The **Statement of Activities**, on the other



hand, provides information on how the government's net assets changed during the 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 Assets and the Statement of Activities distinguish functions of the County that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include (1) general government, (2) public protection, (3) public ways and facilities, (4) health and sanitation, (5) public assistance, (6) education, and (7) recreation and cultural services. The business-type activities of the County include airport and waste management.

The government-wide financial statements also provide information regarding the County's component units, entities for which the County (the primary government) is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the County's operations, and therefore, data from these component units are combined with data of the primary government. Financial information for the Orange County Children and Families Commission, a discretely presented component unit, is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

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

The fund financial statements provide information regarding the three major categories of all County funds: governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in GASB Statement No. 34. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

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 **current financial resources measurement focus** and **modified accrual basis of accounting**.

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 both 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.

In FY 2001-02, a decrease was reported in the net assets of governmental activities, while an increase was reported in the fund balances of governmental funds in the fund financial statements. This difference is due to the receipt of significant bond proceeds this fiscal year and the reporting of certain expenses in the Statement of Activities that do not require the use of current financial resources and therefore were not reported as expenditures in the governmental funds. Refer to the "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities" for additional details on the factors contributing to this difference.

The County maintains several individual governmental funds organized according to their type (General Fund, Special Revenue, Debt Service, Capital Projects and Permanent Fund). 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 required major fund, and all other major funds. Information for nonmajor funds is presented in the aggregate in these statements. Individual fund data for each of the nonmajor governmental funds is presented in the Supplemental Information section.

Also included in the fund financial statements are the budgetary comparison statements, which present the County's annual appropriated budget for the General Fund and the major Special Revenue Funds. These budgetary comparison statements have been provided to demonstrate compliance with the budget. Budgetary comparison schedules for the other funds are presented by fund type (Special Revenue, Debt Service, Capital Projects, and Permanent Fund) in the Supplemental Information section of this report.

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 and Waste Management operations. **Internal Service Funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance benefits and the purchase and maintenance of its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary 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 funds financial statements with the individual fund data provided in combining statements, which can be found in the Supplemental Information section of this report.

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

Notes to the Basic Financial Statements

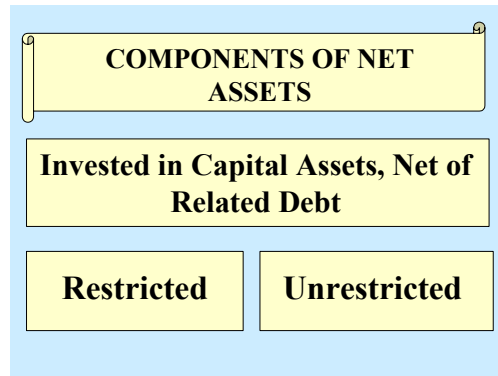
The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find a specific note, refer to the Table of Contents.

Supplemental Information

The Supplemental Information section of this report contains the combining statements as well as the statistical section. This section is presented to provide additional information that is useful to users of these financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At June 30, 2002, the County's combined net assets totaled \$2,689,540. The largest component of the County's net assets (72%) was **invested in capital assets, less any related outstanding debt** used to acquire those assets. Capital assets include land, buildings, machinery, equipment, and infrastructure which are used to provide needed services to the citizens of the County. 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.



An additional component of the County's net assets is **restricted**. This means that these resources are subject to external restrictions on how they may be used. 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. In FY 2001-02, the County's restricted net assets were \$1,108,649.

The final component of net assets is **unrestricted net assets**. Unrestricted net assets are resources that the County may use to meet its ongoing obligations to citizens and creditors. The deficit balance shown for unrestricted net assets was primarily caused by the County's election to settle bankruptcy-related debt according to the Modified Second Amended Plan of Adjustment, and is not a reflection of the County's lack of resources to meet its ongoing obligations to the citizens and creditors. Refer to Note 10, Long-Term Obligations, for more details of this Plan.

The following table provides summarized data from the Statement of Net Assets:

COUNTY OF ORANGE NET ASSETS (In Thousands)			
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 2,443,477	\$ 515,615	\$ 2,959,092
Capital assets	1,802,389	463,252	2,265,641
Total assets	4,245,866	978,867	5,224,733
Long-term liabilities	1,686,430	400,663	2,087,093
Other liabilities	393,297	54,803	448,100
Total liabilities	2,079,727	455,466	2,535,193
Net assets			
Invested in capital assets, net of related debt	1,703,213	240,969	1,944,182
Restricted	826,217	282,432	1,108,649
Unrestricted	(363,291)	--	(363,291)
Total net assets	\$ 2,166,139	\$ 523,401	\$ 2,689,540

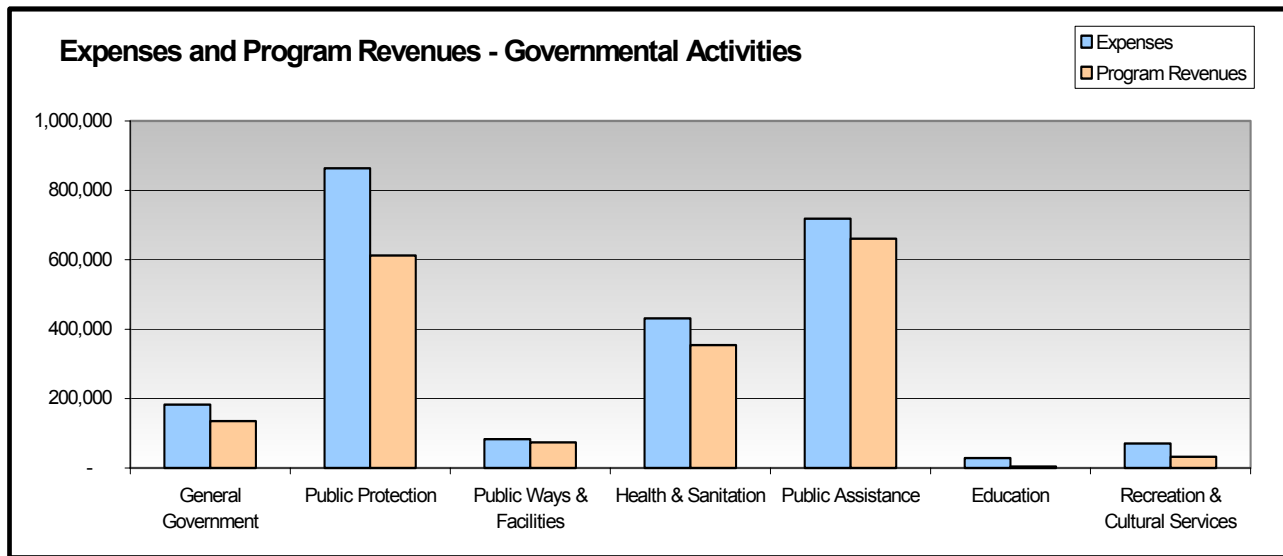
Governmental Activities

Revenues: 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. Examples of Operating Grants and Contributions include State and Federal revenues for public assistance programs and for

health administration and health care programs. 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 governmental agencies under contract. At the end of FY 2001-02, total revenues for the governmental activities including transfers from the business-type activities were \$2,508,029.

Expenses: Total expenses for governmental activities were \$2,502,381. The majority of these expenses were spent for Public Protection and Public Assistance. Of the total expenses, only \$631,422, or 25%, were ultimately financed by taxes and other general revenues.

The following chart shows expenses by function and the associated program revenues for the governmental activities.

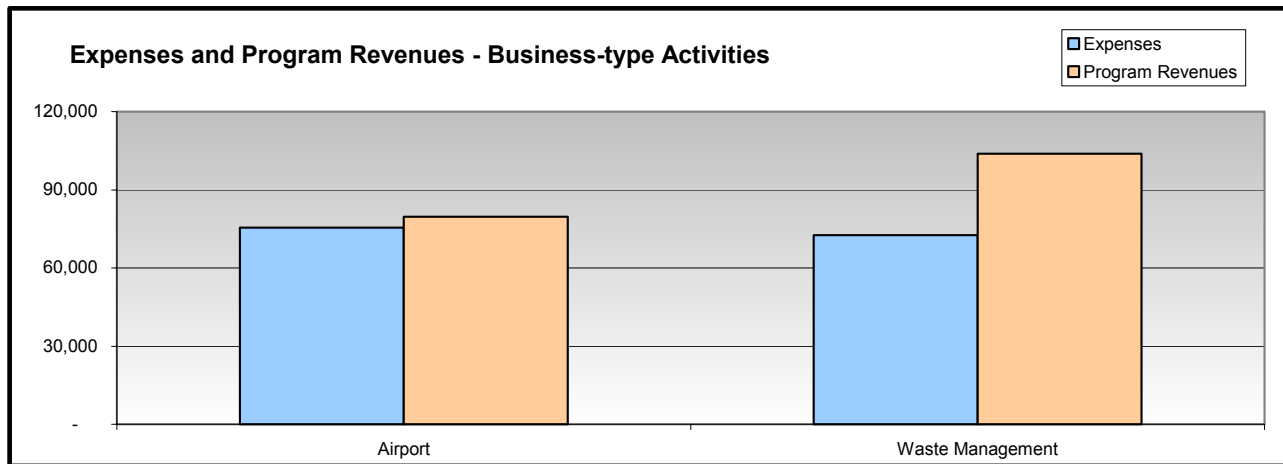


Business-type Activities

Revenues: The County has two business-type activities: Airport and Waste Management. At June 30, 2002, the total revenues for the business-type activities were \$199,487. In keeping with the intent of recovering all or a significant portion of their costs through user fees and charges, business-type activities reported Charges for Services as their largest source of revenues. Operating Grants and Contributions as well as Capital Grants and Contributions were the other revenue sources for the business-type activities. Operating Grants and Contributions include interest income that is restricted for Airport or Waste Management activities. Capital Grants and Contributions include revenues received from the Federal Aviation Administration (FAA) for use in airport construction projects. Other factors concerning the finances of the County's two enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

Expenses: At the end of FY 2001-02, the business-type activities reported total expenses including transfers to the governmental activities of \$167,704. The program revenues (Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions) financed all the expenses recorded for the business-type activities. Other factors concerning the finances of the County's two enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

The following chart shows expenses by function and the associated program revenues for the business-type activities.



The following table provides summarized information from the Statement of Activities:

COUNTY OF ORANGE CHANGES IN NET ASSETS (In Thousands)			
	Governmental Activities	Business-type Activities	Total
Revenues			
Program Revenues:			
Charges for Services	\$ 388,128	\$ 180,382	\$ 568,510
Operating Grants/Contributions	1,438,646	1,637	1,440,283
Capital Grants/Contributions	44,185	1,610	45,795
General Revenues:			
Property Taxes	292,894	--	292,894
Other Taxes	7,917	--	7,917
Grants/Contributions not Restricted to Specific Programs	58,614	--	58,614
Other General Revenues	258,039	15,858	273,897
Total Revenues	2,488,423	199,487	2,687,910
Expenses			
General Government	182,237	--	182,237
Public Protection	863,159	--	863,159
Public Ways and Facilities	82,893	--	82,893
Health and Sanitation	430,954	--	430,954
Public Assistance	718,016	--	718,016
Education	28,583	--	28,583
Recreation and Cultural Services	70,875	--	70,875
Interest on Long-Term Debt	125,664	--	125,664
Airport	--	75,446	75,446
Waste Management	--	72,652	72,652
Total Expenses	2,502,381	148,098	2,650,479
Excess (Deficit) before Transfers	(13,958)	51,389	37,431
Transfers	19,606	(19,606)	--
Increase in Net Assets	5,648	31,783	37,431
Net Assets – Beginning of the Year, as restated	2,160,491	491,618	2,652,109
Net Assets – End of the Year	\$ 2,166,139	\$ 523,401	\$ 2,689,540

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

At June 30, 2002, the County's governmental funds reported total fund balances of \$1,719,142, with a net increase in fund balances of \$2,687. Of the total fund balances for the governmental funds, \$647,583 (38%) constitutes *unreserved fund balances*. This amount is available for spending at the discretion of the County's Board of Supervisors in order to achieve the established function of the respective funds. Other than the General Fund, all other County funds are restricted for the particular purpose that each fund was established for. For example, special revenue funds have either legal or operational requirements to restrict expenditures for specified purposes, and debt service funds are restricted for payment of principal and interest on general long-term debt. Commitments by the County related to executory contracts for goods or services are recorded and established as reservations of fund balances in the governmental funds.

Significant unreserved fund balances were noted for the following funds: General Fund; Roads; Tobacco Settlement; Refunding and Recovery Certificates of Participation and Debt Prepayment; Flood Control District; and the aggregate Other Governmental Funds. A significant amount of these unreserved fund balances (approximately \$263,500) is designated by the Board of Supervisors for the following uses in the next fiscal year and are deemed to be restrictions, commitments, or limitations which affect the availability of fund resources in the next fiscal year:

<u>Funds</u>	<u>Planned Uses of Unreserved Fund Balances</u>
General Fund	- Construction of various Americans with Disabilities Act retrofits and deferred maintenance projects at various County facilities and increased funding for technology.
Roads	- Major projects include the Glassell Street Bridge sidewalk, the Aliso Creek Road Deletion Mitigation, and the Tustin Avenue at Orangethorpe project.
Tobacco Settlement	- Health care priorities including health care services for seniors and persons with disabilities, tobacco-related disease prevention and control, and a drug/alcohol rehabilitation program at Theo Lacy Jail.
Refunding and Recovery Certificates of Participation (COPs) and Debt Prepayment	- Bond redemption when the financial market is favorable for debt reduction and bond reserves to meet future debt service payments.
Flood Control District	- Property acquisition related to the Prado Dam and the Santa Ana River Mainstem Project.
Other Governmental	- Future strategic priorities including affordable housing initiatives, additional 800 MHz communication system sites to improve reception throughout the County by emergency response agencies, and Building B construction at the Theo Lacy Jail as outlined in the Strategic Financial Plan. These are subject to change pending annual updates to the Plan.

The remaining fund balances is *reserved*. Reserved fund balances primarily represent assets that are not available for spending or assets that are not yet available for expenditure due to restrictions imposed by parties outside the County. Note 13 of this report provides a complete list of the reserved fund balances which are titled “Assets Not Available for Appropriations”, as well as Board reserves which are titled “Fund Balances Reserved by Board of Supervisors for a Future Purpose.”

Analysis of Significant Changes in Fund Balances

The following schedule presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net increase in fund balances for each of the major governmental funds for the fiscal year ended June 30, 2002.

Major Governmental Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Net Increase in Fund Balances
General Fund	\$ 2,028,811	\$ 1,999,718	\$ 29,093
Roads	54,761	44,759	10,002
Public Library	30,848	28,741	2,107
Tobacco Settlement	36,913	26,884	10,029
Refunding & Recovery COPs and Debt Prepayment	286,483	85,655	200,828
Flood Control District	233,567	79,106	154,461
Harbors, Beaches, and Parks	67,785	63,810	3,975
Total	\$ 2,739,168	\$ 2,328,673	\$ 410,495

General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2001-02, unreserved fund balances of the General Fund were \$155,255, with a net increase in fund balances of \$29,093. The following is a brief summary of the primary factors which contributed to the net increase in fund balances for the General Fund in FY 2001-02:

- A \$3,834 increase in revenues from recording fees in the Clerk-Recorder’s Office due to the continued all-time low housing interest rates which resulted in an increased number of home purchases and refinancing of mortgage loans.
- A decrease in retirement rates in FY 2001-02 for employees in the Safety category resulting in a \$9,282 decrease in expenses related to retirement. Examples of employees in the Safety category include Sheriffs, Probation Officers, and District Attorney Investigators.
- An increase of \$14,068 in motor vehicle licensing fee revenues resulting from strong automobile sales throughout the State despite the slowing economy. This can be attributed to the continued 0% financing and rebate incentives offered by the automotive industry.
- An increase of \$10,375 in General Fund revenues primarily due to Teeter net proceeds that are now being reverted to the General Fund; in past years, the Teeter net proceeds have been used for the Recovery Certificates of Participation Lease financing.

Roads

This fund accounts for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. At the end of FY 2001-02, unreserved fund balances in the Roads Fund were \$23,778, with a net increase in fund balances of \$10,002. The net increase in fund balances for the Roads Fund in FY 2001-02 can be primarily

attributed to an increase of \$10,335 in state revenues received for projects associated with the AB 2928 program. AB 2928 was signed into law on July 6, 2000 and provides funding for capital and preservation transportation projects as part of the Governor's Traffic Congestion Relief Plan.

Public Library

This fund accounts for library services for the unincorporated areas as well as some of the incorporated areas within the County. At the end of FY 2001-02, unreserved fund balances in the Public Library Fund were \$3,018, with a net increase in fund balances of \$2,107. The primary factors attributable to the net increase in fund balances for the Public Library Fund in FY 2001-02 are the increased property tax revenues resulting from assessed valuation increases and a decrease in expenditures for library materials.

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. Approval of the Master Settlement Agreement on behalf of California by the San Diego Superior Court occurred December 1998. On November 7, 2000, Orange County voters passed Measure H requiring the County to utilize its share of the national tobacco litigation settlement revenues as follows: 80% for specified health care services and 20% for public safety.

At the end of FY 2001-02, unreserved fund balances in the Tobacco Settlement Fund were \$20,595, with a net increase in fund balances of \$10,029. The net increase in fund balances can be primarily attributed to an increase in the amount of tobacco settlement revenues received in FY 2001-02 compared to the prior year. This increase is due to the release by the trustee of some escrowed funds which were in turn distributed to the states and territories involved in the Master Settlement Agreement.

Refunding and Recovery Certificates of Participation and Debt Prepayment

This fund accounts for the debt service transactions handled by the trustee bank for the Orange County Refunding Recovery Bonds and the 1996 Recovery Certificates of Participation. This fund also accounts for early debt reduction of the County's outstanding bonds. At the end of FY 2001-02, unreserved fund balances in the Refunding and Recovery Certificates of Participation and Debt Prepayment Fund were \$58,417, with a net increase in fund balances of \$200,828. The large net increase in fund balances can be primarily attributed to the reclassification of the beginning fund balances of similar purpose funds that are consolidated into this major fund.

Flood Control District

This fund accounts for the planning, construction, and operation of flood control and water conservation works, such as dams, basins and trunk channels, and for the retardation, conservation and controlled discharge of storm waters. At the end of FY 2001-02, unreserved fund balances in the Flood Control District Fund were \$68,028, with a net increase in fund balances of \$154,461. The following is a brief summary of the primary factors attributable to the net increase in fund balances in the Flood Control District Fund in FY 2001-02:

- A \$3,142 increase in property tax revenues due to assessed valuation increases.
- The reclassification of the beginning fund balances of similar purpose funds that were consolidated for major fund reporting.

Harbors, Beaches, and Parks

This fund accounts for the development of aquatic recreational facilities and the acquisition, operation and maintenance of County beaches, inland regional park recreational facilities and community park sites in the unincorporated areas. At the end of FY 2001-02, unreserved fund balances in the Harbors, Beaches, and Parks Fund were \$5,582, with a net increase in fund balances of \$3,975. The following is a brief summary of the primary factors attributable to the net increase in fund balances in the Harbors, Beaches, and Parks Fund in FY 2001-02:

- A \$6,658 increase in revenues from rents and concessions, offset by an increase of \$5,689 in expenditures, as a result of new operating agreements signed with the Dana Point Harbor operating managers.
- A \$2,336 increase in property tax revenues due to assessed valuation increases.

Proprietary Funds

As mentioned earlier, the proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and Waste Management operations, both of which are 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 combining statements, which can be found in the Supplemental Information section of this report.

Analysis of Significant Changes in Fund Net Assets

The following schedule presents a summary of revenues and contributions, expenses and transfers, and the increase in net assets for each of the major proprietary funds for the fiscal year ended June 30, 2002.

<u>Major Proprietary Fund</u>	<u>Revenues and Contributions</u>	<u>Expenses and Transfers</u>	<u>Increase in Net Assets</u>
Airport	\$ 82,782	\$ 77,549	\$ 5,233
Waste Management	115,873	84,951	30,922
Total	<u>\$ 198,655</u>	<u>\$ 162,500</u>	<u>\$ 36,155</u>

Airport

This group of funds accounts for major construction and self-supporting aviation-related activities rendered at John Wayne Airport (JWA), Orange County. At the end of FY 2001-02, unrestricted net assets for the Airport were \$51,823, with an increase in net assets of \$5,233. The following is a brief summary of the primary factors attributable to the increase in net assets for the Airport in FY 2001-02:

- A \$3,886 increase in rents and concessions revenues due to new fees for additional security charged to the airlines.
- A \$1,197 increase in parking revenue resulting from increased parking rates beginning April 1, 2002.

Waste Management

This group of funds is used to account for the operation, expansion, and 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 2001-02, unrestricted net assets for Waste Management were \$51,652, with an increase in net assets of \$30,922. The following is a brief

summary of the primary factors attributable to the increase in net assets for Waste Management in FY 2001-02:

- A \$3,276 increase in charges for services due to an increase in the amount of tonnage of solid waste disposed at the landfills.
- A \$3,255 decrease in landfill site closure/postclosure costs due to a decrease in the percentage used to calculate these costs. This percentage is based on the landfill capacity used at the end of the fiscal year. Because of a recent engineering survey conducted which increased the overall capacity of the Frank R. Bowerman Landfill, the percentage of the landfill capacity used at the end of the fiscal year was lower compared to that used in FY 2000-01.
- A decrease of \$11,836 in other charges was partially offset by an increase of \$8,704 in services and supplies expenses due to the reclassification of balances this fiscal year to more accurately reflect the nature of the specific transactions.
- A \$3,351 decrease in contributions to the City of Brea for mitigation projects related to the Olinda Alpha Landfill.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors involved in the variances between: 1) the Original Budget and the Final Amended Budget; and 2) the Final Amended Budget and the Actual Amounts for the General Fund. Refer to the Budgetary Comparison Statement for details on this budgetary comparison.

For the most part, the revenue variances noted in the Final Amended Budget vs. Actual Amounts section of this analysis will not significantly affect future services or liquidity in and of themselves in the near future (one to two years). There are a few variances including shortfalls in Public Safety Sales Tax Revenues and the California Work Opportunity and Responsibility to Kids (CalWORKs) Program that are a concern. If they continue and are combined with other factors such as a slowing economy, continued State budget shortfalls, and increasing County costs such as retirement and health insurance, future services could be affected. The County's Strategic Financial Planning process is designed to identify long-range resources and requirements and recommend early actions necessary to keep these resources in balance.

Original Budget vs. Final Amended Budget

Revenue Variances

The following provides a summary of the primary factors that caused the \$44,524 increase in the General Fund final amended budget revenues compared to the original budget revenues:

Intergovernmental Revenues:

- A \$5,889 increase in budgeted revenues in the CalWORKs program due to the increase in actual caseloads and the increased cost per case resulting from the continued economic downturn during FY 2001-02. The CalWORKs program provides cash benefits for the care of needy children when one or both parents are absent, disabled, deceased or unemployed, and is funded primarily by the state and federal government.
- An increase of \$3,059 in State revenues due to Probation's participation in the State's AB 1913 and Challenge I grant programs. AB 1913 provides funding for a series of crime prevention and intervention programs for youth, including juvenile crime diversion and gang prevention programs, expansion of gender-specific programs for female offenders, community gang prevention services, and operations of stay-in-school programs.
- A \$2,447 increase in budgeted revenues in the Watershed Management Program due to the increase in the expected National Pollutant Discharge Elimination System (NPDES) revenue from municipal participants. This increase results from the more stringent requirements of the renewed San Diego and Santa Ana Board Water Quality permits. The NPDES permit program controls water pollution by regulating point sources that discharge pollutants into waters of the United States.

- An increase of \$2,009 in State revenues resulting from the revision of funding for Mobile Data Computers in Sheriff-Coroner Communications from a nonmajor governmental fund to State funding for high technology equipment in the General Fund.
- An increase of \$1,716 due to the addition of water quality improvement projects to the Watershed Management Program's budget, which is reimbursed by the State. The improvement projects include the Lower Talbert Santa Ana River Project and the Greenville Banning Project.
- A \$1,467 increase in revenues in Capital Projects to accomplish energy savings and efficiency projects at various County facilities which are reimbursed by the California Energy Commission and include lighting retrofits, motion sensors, and replacement of high energy using motors and other equipment with energy efficient units.
- A \$1,217 increase in revenues in AFDC – Foster Care due to higher than originally budgeted actual caseload trends and cost per case.
- An increase of \$1,145 in the Health Care Agency's (HCA's) Master Medical Services for Indigents (MSI) Agreement for FY 2001-02. The MSI program uses a Master Medical Services Agreement to contract with local hospitals to provide medical care for indigents.

Expenditure Appropriation Variances

The following provides a summary of the primary factors that caused the \$44,853 increase in the General Fund final amended budget expenditures compared to the original budget expenditures:

Recovery Certificates of Participation Lease Financing:

- The increase of \$3,006 is primarily due to increased transfers to the Recovery Plan of Adjustment Available Cash Fund resulting from higher than expected revenues for imported solid waste.

District Attorney:

- An increase of \$2,409 in the Family Support Division's budget to reflect the State's final funding allocation and for the Non-Custodial Parent Program (NCP) – One Stop as requested by the Community Services Agency. In addition, there was an increase in the Criminal Division's budget for the federally-funded Juvenile Offender/Accountability grant program.

Probation:

- A \$2,793 increase resulting from appropriations added to regular salaries to cover an under-funding of cost of living adjustments (2.25% assumed versus 4% actual) that were negotiated for FY 2001-02 subsequent to budget approval. In addition, several positions were added as a result of the opening of the new Youth and Family Resource Center (YFRC) in Central/South Orange County on January 1, 2002 along with the mid-year implementation of the Asset Management Program and Preventive Maintenance Program.
- A \$1,215 increase due to additional workers' compensation funding associated with the mid-year implementation of the Asset Management Program and Preventive Maintenance Program.

Sheriff-Coroner:

- An increase of \$2,650 to accommodate the annual transfer of excess Public Safety Sales Tax Revenue to the County Public Safety Sales Tax Excess Revenue Fund as well as the need for increased security required at John Wayne Airport after the events of September 11, 2001.

Health Care Agency:

- An increase of \$4,182 related to positions added during FY 01-02 for various Health Care Agency programs as follows: Proposition 10 Children and Families Commission-funded programs, HIV/AIDS Prevention, Public Health Field Nursing Services, Alcohol and Drug Abuse Services, Substance Abuse and Mental Health Services Administration, and Nutrition Services.
- A \$5,586 increase in appropriations for Tobacco Settlement funded programs as outlined in the Tobacco Settlement Spending Plan approved by the Board of Supervisors on August 14, 2001. In addition, the increase can also be attributed to a one-time Emergency Medical Services Appropriation (EMSA) to provide partial reimbursement for uncompensated emergency services by physicians to the indigent population in FY 2001-02.

Watershed Management Program:

- An increase of \$5,263 in capital outlay expenditures for water quality improvement projects to this program's budget which is to be reimbursed by the State. The projects include the Lower Talbert Santa Ana River Project and the Greenville Banning Project.
- An increase of \$3,803 due to an increase in the NPDES consulting contracts expenditures as a result of more stringent requirements of the renewed San Diego and Santa Ana Board Water Quality permits.
- These increases were offset by a \$3,202 decrease in contributions to the Corp of Engineers (COE) for analysis studies related to watershed projects.

California Work Opportunity and Responsibility to Kids:

The increase of \$6,309 is due to higher than originally budgeted actual caseloads for this assistance budget due to the economic downturn during FY 2001-02, and a change in the proposed cost of living adjustment provided in the November subvention of the State budget.

Final Amended Budget vs. Actual Amounts

Revenue Variances

The following information provides a summary of the primary factors attributable to the \$74,328 negative variance in the General Fund actual revenues as compared to the final amended budget revenues:

Intergovernmental Revenues:

- A \$44,985 negative variance caused by unspent budgeted appropriations for expenditure-driven grants in the Social Services Agency that resulted in a corresponding reduction in the associated state and federal revenues.
- A \$6,493 negative variance caused by NPDES revenues from municipalities that were not received as anticipated in the Watershed Management Program.
- A \$21,255 negative variance due to lower than anticipated Proposition 172 Public Safety Sales Tax revenues received by the District Attorney and Sheriff-Coroner resulting from the sluggish economy during FY 2001-02.
- A \$5,305 negative variance caused by unspent budgeted appropriations for expenditure-driven grants in the District Attorney's Family Support Division resulting in a corresponding reduction in associated federal revenues.
- These negative variances were partially offset by:
 - A \$21,868 positive variance in State motor vehicle tax revenues due to stronger than anticipated vehicle sales which can be attributed to the 0% financing and rebate incentives offered during FY 2001-02.
 - A \$9,592 positive variance because Teeter Property Tax Plan net proceeds, which were previously used to repay bankruptcy debt, reverted to the General Fund.
 - A positive variance of \$9,499 due to an increase in HCA's realignment revenues as a result of higher than expected growth from the prior fiscal year.

Charges for Services:

- A \$5,768 negative variance in the Public Facilities and Resources Department which was caused by a decrease in the total expenditures incurred by the department's Operating Division, and an associated decrease in revenues for charges for services related to those expenditures.
- A \$2,338 negative variance in the Watershed Management Program caused by lower than anticipated reimbursements from Road, Flood, and Harbors, Beaches, and Parks services provided.

Other Revenues:

- A \$13,799 negative variance in the CalWORKs program caused by the State's shifting of funds between federal and state sources as needed at the State level to meet the State's required maintenance of effort for CalWORKs/Temporary Assistance to Needy Families (TANF) block grant.

- A \$5,610 negative variance in the Miscellaneous Agency caused by lower than anticipated reimbursement from the County Retirement Holding Fund resulting from lower retirement rates and debt service savings from the defeasance of Pension Obligation Bonds.
- A \$3,572 negative variance in HCA due to less than anticipated receipt of Tobacco Settlement Revenues (TSR) resulting from the delay in the construction of a TSR-funded water quality testing laboratory in Newport Beach.

Transfers In:

- A negative variance of \$13,563 in HCA due to under-expenditures in TSR-funded projects and delays in the new Animal Shelter development.
- A \$9,890 negative variance in Sheriff-Coroner because budgeted transfers from the County Public Safety Sales Tax Excess Revenue Fund to this agency were not needed, and instead were made directly to the Sheriff-Coroner Construction and Facilities Development Fund.
- A negative variance of \$8,401 in Capital Projects due to delays in the completion of deferred maintenance projects and American with Disabilities Act (ADA) compliant projects resulting in deferred or delayed transfers from the Designated Special Revenue Fund to finance the projects.
- These negative variances were partially offset by the following:
 - A positive variance of \$9,621 in the Watershed Management Program due to a transfer from the Flood Control District Fund made to fund the Watershed Management Program projects.
 - A positive variance of \$6,181 in Capital Acquisition Financing due to the reclassification of debt service payments as Transfers In.
 - A positive variance of \$2,544 due to the reclassification of balances in other revenue line items to Transfers In to more accurately reflect the nature of the specific transactions.
 - A positive variance of \$2,636 due to the reclassification of redirected interest revenue as Transfers In to comply with the requirements of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

Expenditure Variances

The following provides a summary of the primary factors attributable to the \$290,601 positive variance in General Fund actual expenditures as compared to the final amended budget expenditures:

Capital Projects:

- A \$29,576 positive variance due to delays in capital projects , including two Probation Department projects—Rancho Potrero Leadership Academy and the related Joplin Youth Center Expansion Mitigation, as well as the Central Justice Center upgrades, which were all rebudgeted in FY 2002-03 to allow for completion.
- A \$4,362 positive variance due to delays in the completion of maintenance projects in the Sheriff's Department and the Probation Department (projects at Los Pinos Conservation Camp and Joplin Youth Center), which were rebudgeted in FY 2002-03.

County Executive Office:

- A \$2,750 positive variance due to the reduction, redirection, or cancellation of various programs and projects within the County Executive Office. Activities and priorities within the County Executive Office are primarily in support of the Board of Supervisors.

Data Systems Development Projects:

- A \$3,782 positive variance due to deferrals of budgeted data systems development projects to the following fiscal year.

Miscellaneous:

- A positive variance of \$27,592 because there were no unexpected expenditures related to legal defense and settlement involving the County which are budgeted in this Agency and are not anticipated to be spent unless the need arises.
- A \$6,795 positive variance because excess budgeted appropriations in this agency to cover new or unanticipated costs in various County departments did not materialize in FY 2001-02.

Provision for Contingencies:

- The positive variance is due to the absence of critical or unforeseen expenses in the County in FY 2001-02. This agency in the General Fund provides for unexpected expenditures that result from natural catastrophes, a severe economic downturn, or other disasters.

District Attorney:

- A positive variance of \$6,396 occurred because the State's final funding allocation for the Family Support Division in FY 2001-02 was based on the prior year which included appropriations for items not needed in the current fiscal year and because the Criminal Division deferred all nonessential expenditures due to the Public Safety Sales Tax revenue shortfall.
- A \$6,308 positive variance due to unspent appropriations for professional services because the Probation Department claimed reimbursement of services related to the child support program directly to the State instead of transferring costs to the Family Support Division.

Probation:

- A positive variance of \$2,430 in professional services expenditures as a result of the lower than anticipated number of minors detained at the County's expense in the Santa Ana City Jail.

Sheriff-Coroner:

- A positive variance of \$14,725 due to the following: lower retirement rates and vacant positions; lower than anticipated expenditures for professional services and transportation and travel; lower than anticipated expenditures for equipment maintenance resulting from work performed by an in-house technician; and the deferral of some capital projects.

Sheriff-Coroner Communications:

- A \$3,727 positive variance occurred because the purchase of additional mobile data computer equipment was delayed.
- A \$1,049 positive variance due to additional intrafund transfers of repair costs associated with the Sound, Video, and Security System to other agencies within the General Fund.

Public Facilities and Resources Department:

- A positive variance of \$7,355 resulting from a reclassification of direct billing reimbursements (a revenue line item) to services and supplies reimbursements (an expenditure offset item).
- A \$2,251 positive variance due to a reduction in the Agricultural Commissioner's Red Imported Fire Ant program costs as well as the department's overall reduction in spending on professional service contracts during FY 2001-02.
- A \$1,263 positive variance due to lower than anticipated expenditures for vehicle and equipment usage.

Health Care Agency:

- A positive variance of \$28,872 due to delayed expenditures in TSR-funded projects and Behavioral Health Service contracts.
- A \$4,795 positive variance because payments for support and care associated with the California Children Services was taken over by the State Electronic Data System. The State will in turn bill the County its share at a later date.
- These positive variances were partially offset by a \$20,152 negative variance due primarily to a budgeting technique used by HCA to allocate administrative costs to the different service areas of the agency. At this time, HCA is exploring a different methodology for allocating these administrative costs to the agency's four service areas to preclude a negative variance in the future.

Watershed Management Program:

- A \$8,404 positive variance due to the following: lower than anticipated expenditures for the NPDES program; contributions to the COE for studies related to watershed projects were less than anticipated; and only two of many budgeted capital projects were actually started.

Social Services Agency:

- A \$28,048 positive variance due to less than anticipated spending on professional services contracts resulting from delays in the start-up of new and expanded programs. In addition, there was a \$5,708 positive variance due to less than anticipated spending of budgeted CalWORKs child care costs.
- A positive variance of \$7,726 because budgeted appropriations for equipment and office expense were deferred as a result of the delay in the move of the Children and Family Services unit to a new facility as well as a reevaluation of the need for the purchase of such equipment.
- A \$5,550 positive variance due to the deferral of one-time capital projects resulting in additional cost savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2002, the County's capital assets for both the governmental and business-type activities amounted to \$2,265,641 net of accumulated depreciation. The investment in capital assets includes land, construction in progress, structures and improvements, equipment, and infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors). The following lists the significant expenditures for capital assets in FY 2001-02:

- \$2,224 in the Watershed Management Program for the installation of rubber dams and pump stations along the Greenville Banning Channel and the Lower Talbert Santa Ana River Channel as part of water quality improvement projects.
- \$5,471 for the repair and replacement of heating, ventilation and air-conditioning units at the Probation Department's Youth Guidance Center and at the Central Justice Center. In addition, there were expenditures made for ADA projects at the Central Justice Center and various County facilities.
- \$2,172 for the enlargement and expansion of the Jury Assembly Room at the Central Justice Center.
- \$1,696 for the lease purchase of replacement computer workstations in the Children and Family Services program.
- \$7,131 for the installation of a new pump station within the Rossmoor Retarding Basin so that incoming flows to the Rossmoor Storm Channel are pumped to the San Gabriel River.
- \$14,520 for improvements to several existing flood channels to increase their capacity, provide immediate flood protection, and to comply with the Federal Emergency Management Agency's 100 year flood plain study.
- \$4,726 for land and property purchases in conjunction with the Santa Ana River Mainstem Project.
- \$4,906 for the construction of the Coroner Training Facility and Building A Phase 2 of the Theo Lacy Jail Expansion.
- \$7,135 for street improvements on Laguna Hills Drive and Pacific Park Drive in Aliso Viejo.

- \$15,105 for various off-site transportation projects in the new community of Ladera Ranch including grading, widening, and lengthening of major roadways such as Crown Valley Parkway and Antonio Parkway. Also, there were expenditures made for the construction of a Sports Park in this community.
- \$1,028 for the remodeling and refurbishing of vacated space in the Central Justice Center for court technology services use.
- \$2,883 for costs associated with the 800-MHz Countywide Coordinated Communications System.

Additional information on the County's capital assets can be found in Note 5 of this report.

Commitments for Capital Expenditures. At the end of FY 2001-02, significant commitments for capital expenditures include the following:

- \$14,582 for flood control channel projects.
- \$8,704 for the construction of the Coroner Training Facility.
- \$28,463 for the Theo Lacy Jail Construction.
- \$11,527 for Airport projects.

Additional information on the County's commitments for capital expenditures can be found in Note 15 of this report.

Long-Term Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the last equalized property tax roll. This limitation does not affect the financing of any of the County's planned facilities or services. At June 30, 2002, the County had no net general obligation bonded debt.

The table below lists the County's outstanding bonds at June 30, 2002:

	Governmental Activities	Business-type Activities	Total
Revenue bonds	\$ 296,747	\$ 239,486	\$ 536,233
Certificates of participation	673,934	--	673,934
Pension obligation bonds	134,612	--	134,612
Recovery bonds	247,455	--	247,455
Total outstanding bonds	<u>\$ 1,352,748</u>	<u>\$ 239,486</u>	<u>\$ 1,592,234</u>

The following summarizes the County's long term debt activity during FY 2001-02:

- Teeter Plan Revenue Bond Remarketing. In October 2001, \$800 of the Series A Bonds were retired, reducing the outstanding 1995 Series Bonds to \$124,425. In addition, the \$34,000 Series E Bonds underwent a mandatory tender on November 1, 2001, and were remarketed and converted to variable rate bonds.
- Tax Allocation Refunding Bonds, Series 2001 (Neighborhood Development and Preservation). In July 2001, OCDA issued \$26,160 Tax Allocation Refunding Bonds (Neighborhood Development and Preservation Project) Series 2001 at a premium of \$327. The bonds are special obligations of the Agency and are payable exclusively from tax revenues for the Neighborhood Development and Preservation Project Area and from amounts on deposit in certain funds and accounts established under the indenture. As of June 30, 2002, the outstanding principal amount of these bonds was \$26,487.

- Lease Revenue Refunding Bonds, Series 2002 (Juvenile Justice Center Facility). In May 2002, the Orange County Public Financing Authority issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds Series 2002, in the principal amount of \$80,285 with a premium of \$3,164. The bonds are limited obligations of the Authority payable solely from base rental payments to be made by the County pursuant to a lease between the Authority and the County dated as of April 1, 2002 and other amounts held by the trustee in the funds and accounts established under the Indenture, except otherwise provided. As of June 30, 2002, the outstanding principal amount of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds Series 2002 was \$83,449.

Additional information on the County's long-term debt activity can be found in Note 10 of this report.

Bond Ratings

The County currently maintains issuer ratings of Aa2 from Moody's Investors Service and A+ from Standard & Poor's (S&P). The most significant change in the County's ratings in fiscal year 2001-02 was an issuer rating upgrade from A to A+ from S&P on April 9, 2002. The rating report cited the County's continued prudent fiscal management, evidenced by a strong fiscal position and disciplined adherence to its strategic plan focusing on debt reduction as well as the diversified and healthy local economy as basis for the change.

The County maintains the following long-term debt ratings:

	Moody's	Fitch	Standard and Poor's
Airport Revenue Bonds	Aa3	A+	A
Waste Management Revenue Bonds	A2	A+	--
Pension Obligation Bonds	A2	AA-	A
Recovery Bonds	Aa3	--	--
2002 Lease Revenue Bonds	A1	--	A
2001 Equipment Lease	A2	--	--
1996 Recovery Certificates of Participation	A1	AA-	--
1991 Parking Certificates of Participation	A1	--	--

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.

Governmental Activities

- 2% at 50 Public Safety Retirement for Probation Services Unit: The County Board of Supervisors amended the Personnel and Salary Resolution implementing a 2% at 50 retirement formula and public safety status for Probation Services employees effective June 28, 2002. The initial estimated annual cost of this benefit is \$8,000 and will be partially offset by contributions from the affected employees. Costs of this benefit will be included in the County's 2003 Strategic Financial Plan.
- Orange County Employee Retirement System (OCERS): OCERS was established in 1945 by the County Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937. It is a cost-sharing, multiple-employer public employee retirement system which provides members with retirement, death, disability and cost-of-living benefits. Refer to Note 19 for additional information on the County's Retirement Plans. Due to the continued economic decline during FY 2001-02, the actuarial estimate of positive earnings for OCERS' investments did not materialize. As a result, it is anticipated that the County's annual required contributions for FY 2002-03 will increase to a total of \$62,306, an increase of \$23,984 from FY 2001-02.

- Rancho Potrero Leadership Academy (RPLA): State construction grant funding was approved for the Probation Department to build a 90 bed juvenile facility in a relatively remote area of Trabuco Canyon on County owned land. The County appropriated an additional \$11,500 in general revenues for this project to meet the match requirement for the construction grant and take other mitigation measures, as necessary, to minimize disruption to the surrounding community and environs. On August 16, 2002, an adverse court ruling was rendered on the adequacy of the RPLA environmental impact report and other associated issues which required an immediate suspension of construction efforts. In response, the Probation Department sought authorization and received encouragement from the California Board of Corrections to retain the original grant funds and relocate the RPLA onto the Juvenile Hall property in Orange. It is anticipated that the need for the funds currently budgeted for the RPLA project will continue, not only for the facility's construction, but also to defray the costs arising from the premature conclusion of the originally planned construction project in Trabuco Canyon.
- State Budget: Preliminary versions of the FY 2002-03 State Budget addressed a large budget shortfall as a result of the economic downturn and declining revenues. This shortfall was closed primarily by spending reductions for certain programs including Medi-Cal, social services, payments to local governments and juvenile justice grant programs. In response to this, the County Executive Officer implemented a hiring freeze in General Fund departments in May 2002 and recommended, during the June 2002 budget hearings, \$57,700 in program reductions in the following County departments: District Attorney, Probation, Community Services Agency, Social Services Agency, Health Care Agency, and Public Library. On September 5, 2002, the Governor signed the final FY 2002-03 State Budget. County departments have analyzed the impact of this final version of the State Budget and accordingly incorporated the changes into the County's 2002-03 First Quarter Budget Report. The First Quarter Budget Report reflects an overall increase of \$32,081 in appropriations and revenues to reconcile to the State's final budget.

On November 14, 2002, the California Legislative Analyst's Office (LAO) issued its "California's Fiscal Outlook, LAO Projections, 2002-03 Through 2007-08" report. The nonpartisan Legislative Analyst projected that California will be facing a \$21,100,000 General Fund deficit by the end of FY 2002-03, absent any corrective actions by the State's legislators.

The report blamed the looming shortfall in large part on the gap between State spending and revenue collections caused by the stock market decline and the corresponding reduction in State tax receipts. The LAO projects that State general fund revenue collections in FY 2002-03 will fall \$4,100,000 short of projections and \$6,500,000 short of projections in FY 2003-04, largely because of projected declines in personal income tax receipts. It is currently not known how the State's projected deficit will ultimately impact the County.

Business-type Activities

- Security Mandates at John Wayne Airport (JWA): The aftermath of the terrorist attacks on September 11, 2001 continues to have an impact on JWA. The airport and the airlines continue to implement new safety and security measures as mandated by the FAA and the Transportation Security Administration (TSA). With respect to security costs resulting from current federal security mandates, JWA anticipates spending \$23,750 through the end of FY 2002-03. This amount includes the recently approved construction project at the terminal which allows JWA to meet the TSA's December 31, 2002 deadline for screening 100% of checked baggage.

Requests for Information

We hope that the preceding information has provided you with 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 Web site at <http://www.oc.ca.gov>.







COUNTY OF ORANGE
STATEMENT OF NET ASSETS
JUNE 30, 2002
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 1,479,010	\$ 404,605	\$ 1,883,615	\$ 121,609
Restricted Cash and Cash Equivalents (Notes 1 and 4)	467,064	83,093	550,157	--
Investments (Notes 1 and 4)	10,219	14,404	24,623	--
Internal Balances	8,807	(8,807)	--	--
Due from Component Unit (Note 7)	235	--	235	--
Prepaid Costs (Notes 1 and 13)	196,605	3,997	200,602	--
Inventory of Materials and Supplies (Notes 1 and 13)	1,472	--	1,472	--
Land and Improvements Held for Resale (Notes 1 and 13)	1,951	--	1,951	--
Receivables (Net) (Note 6)	278,114	18,323	296,437	9,059
Capital Assets (Notes 1 and 5)				
Not Depreciated	840,795	64,059	904,854	--
Depreciable (Net)	961,594	399,193	1,360,787	14
Total Capital Assets	1,802,389	463,252	2,265,641	14
Total Assets	4,245,866	978,867	5,224,733	130,682
LIABILITIES				
Accounts Payable	104,220	11,687	115,907	2,147
Salaries and Employee Benefits Payable	40,753	859	41,612	34
Interest Payable	51,793	282	52,075	--
Deposits from Others	69,006	37,166	106,172	--
Due to Primary Government (Note 7)	--	--	--	235
Due to Other Governmental Agencies	18,644	1,859	20,503	--
Deferred Revenue	108,881	2,950	111,831	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 16)	49,708	--	49,708	--
Compensated Employee Absences Payable (Notes 1 and 10)	21,004	340	21,344	--
Arbitrage Rebate Payable (Note 10)	29	245	274	--
Pool Participant Claims (Note 10)	800	--	800	--
Capital Lease Obligations Payable (Notes 10 and 12)	8,215	--	8,215	--
Bonds Payable (Note 10)	56,475	12,495	68,970	--
Landfill Site Closure/Postclosure Liability (Notes 10 and 14)	--	5,209	5,209	--
Due in More than One Year				
Insurance Claims Payable (Notes 1 and 16)	55,773	--	55,773	--
Compensated Employee Absences Payable (Notes 1 and 10)	94,389	2,527	96,916	54
Arbitrage Rebate Payable (Note 10)	19	--	19	--
Pool Participant Claims (Note 10)	2,400	--	2,400	--
Capital Lease Obligations Payable (Notes 10 and 12)	51,183	--	51,183	--
Bonds Payable (Note 10)	1,294,930	211,565	1,506,495	--
Interest Accretion on Capital Appreciation Bonds Payable (Note 10)	51,505	--	51,505	--
Landfill Site Closure/Postclosure Liability (Notes 10 and 14)	--	168,282	168,282	--
Total Liabilities	2,079,727	455,466	2,535,193	2,470
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	1,703,213	240,969	1,944,182	--
Restricted (Note 1)	826,217	282,432	1,108,649	128,212
Unrestricted (Deficit) (Note 1)	(363,291)	--	(363,291)	--
Total Net Assets	\$ 2,166,139	\$ 523,401	\$ 2,689,540	\$ 128,212

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



**COUNTY OF ORANGE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 216,698	\$ (34,461)	\$ 25,794	\$ 65,267	\$ 44,033
Public Protection	844,026	19,133	231,564	380,151	138
Public Ways and Facilities	81,941	952	29,900	43,552	--
Health and Sanitation	426,323	4,631	66,682	286,950	--
Public Assistance	711,664	6,352	3,899	656,682	14
Education	27,982	601	1,198	3,214	--
Recreation and Cultural Services	69,344	1,531	29,091	2,830	--
Interest on Long-Term Debt	125,664	--	--	--	--
Total Governmental Activities	<u>2,503,642</u>	<u>(1,261)</u>	<u>388,128</u>	<u>1,438,646</u>	<u>44,185</u>
Business-type Activities					
Airport	74,912	534	76,456	1,618	1,610
Waste Management	71,925	727	103,926	19	--
Total Business-type Activities	<u>146,837</u>	<u>1,261</u>	<u>180,382</u>	<u>1,637</u>	<u>1,610</u>
Total Primary Government	<u>\$ 2,650,479</u>	<u>\$ --</u>	<u>\$ 568,510</u>	<u>\$ 1,440,283</u>	<u>\$ 45,795</u>
Component Unit					
O.C. Children and Families					
Commission	<u>\$ 29,603</u>	<u>\$ --</u>	<u>\$ 60</u>	<u>\$ 52,505</u>	<u>\$ --</u>

General Revenues

Taxes

Property Taxes, Levied for General Fund
Property Taxes, Levied for Flood Control District
Property Taxes, Levied for Harbors, Beaches and Parks
Property Taxes, Levied for Public Library
Property Tax Increments
Other Taxes

Grants and Contributions Not Restricted to Specific Programs

Motor Vehicle License Fees In-Lieu of Taxes

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers (Notes 1 and 9)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated (Note 2)

Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (47,143)	\$ --	\$ (47,143)	
(251,306)	--	(251,306)	
(9,441)	--	(9,441)	
(77,322)	--	(77,322)	
(57,421)	--	(57,421)	
(24,171)	--	(24,171)	
(38,954)	--	(38,954)	
(125,664)	--	(125,664)	
<u>(631,422)</u>	<u>--</u>	<u>(631,422)</u>	
--	4,238	4,238	
--	31,293	31,293	
--	35,531	35,531	
<u>(631,422)</u>	<u>35,531</u>	<u>(595,891)</u>	
			<u>\$ 22,962</u>

Functions/Programs

Primary Government

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
 Total Governmental Activities

Business-type Activities

Airport
 Waste Management
 Total Business-type Activities
 Total Primary Government

Component Unit

O.C. Children and Families
 Commission

181,113	--	181,113	--
41,158	--	41,158	--
30,630	--	30,630	--
22,666	--	22,666	--
17,327	--	17,327	--
7,917	--	7,917	--
58,614	--	58,614	--
172,916	--	172,916	--
32,835	14,647	47,482	--
52,288	1,211	53,499	11
19,606	(19,606)	--	--
<u>637,070</u>	<u>(3,748)</u>	<u>633,322</u>	<u>11</u>
5,648	31,783	37,431	22,973
2,160,491	491,618	2,652,109	105,239
<u>\$ 2,166,139</u>	<u>\$ 523,401</u>	<u>\$ 2,689,540</u>	<u>\$ 128,212</u>





**COUNTY OF ORANGE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002
(In Thousands)**

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding & Recovery COPs & Debt Prepayment
ASSETS					
Pooled Cash/Investments (Notes 1 and 4)	\$ 384,923	\$ 149,178	\$ 12,198	\$ 32,731	\$ 59,574
Imprest Cash Funds (Notes 4 and 13)	1,641	--	53	--	--
Restricted Cash and Investments with Trustee (Note 4)	--	--	--	--	142,411
Investments (Notes 1 and 4)	--	--	--	--	--
Receivables					
Accounts	29,909	207	177	--	--
Taxes (Note 1)	5,036	--	465	--	--
Interest/Dividends	--	--	--	--	--
Deposits	2,686	--	--	--	--
Loans	46	--	--	--	--
Allowance for Uncollectible Receivables	(323)	(18)	--	--	--
Due from Other Funds (Note 7)	55,461	1,355	64	2,751	167
Due from Component Unit (Note 7)	235	--	--	--	--
Due from Other Governmental Agencies	154,484	3,004	--	--	--
Inventory of Materials and Supplies (Notes 1 and 13)	404	103	--	--	--
Prepaid Costs (Notes 1 and 13)	1	--	--	--	--
Land and Improvements Held for Resale (Notes 1 and 13)	--	--	--	--	--
Notes Receivable	--	--	--	--	--
Total Assets	<u>\$ 634,503</u>	<u>\$ 153,829</u>	<u>\$ 12,957</u>	<u>\$ 35,482</u>	<u>\$ 202,152</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 67,995	\$ 2,312	\$ 630	\$ --	\$ --
Salaries and Employee Benefits Payable	36,953	500	672	--	--
Deposits from Others	1,237	42,843	4,940	--	--
Due to Other Funds (Note 7)	20,319	1,306	44	14,887	1,324
Due to Other Governmental Agencies	12,072	493	212	--	--
Insurance Claims Payable (Notes 1 and 16)	742	--	--	--	--
Deferred Revenue (Note 1)	138,515	1,825	323	--	--
Total Liabilities	<u>277,833</u>	<u>49,279</u>	<u>6,821</u>	<u>14,887</u>	<u>1,324</u>
Fund Balances					
Reserved (Note 13)	201,415	80,772	3,118	--	142,411
Unreserved, Reported in:					
General Fund	155,255	--	--	--	--
Special Revenue Funds	--	23,778	3,018	20,595	58,417
Debt Service Funds	--	--	--	--	--
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Total Fund Balances	<u>356,670</u>	<u>104,550</u>	<u>6,136</u>	<u>20,595</u>	<u>200,828</u>
Total Liabilities and Fund Balances	<u>\$ 634,503</u>	<u>\$ 153,829</u>	<u>\$ 12,957</u>	<u>\$ 35,482</u>	<u>\$ 202,152</u>

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

Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds	
\$ 244,321	\$ 51,255	\$ 409,205	\$ 1,343,385	ASSETS
--	--	121	1,815	Pooled Cash/Investments (Notes 1 and 4)
--	--	324,653	467,064	Imprest Cash Funds (Notes 4 and 13)
--	--	10,219	10,219	Restricted Cash and Investments with Trustee (Note 4)
2,491	1,674	1,287	35,745	Investments (Notes 1 and 4)
868	643	24,449	31,461	Receivables
--	--	16	16	Accounts
1,368	--	2,784	6,838	Taxes (Note 1)
20	1,195	350	1,611	Interest/Dividends
--	--	(1)	(342)	Deposits
2,508	755	20,180	83,241	Loans
--	--	--	235	Allowance for Uncollectible Receivables
7,133	381	13,348	178,350	Due from Other Funds (Note 7)
185	100	380	1,172	Due from Component Unit (Note 7)
--	--	161	162	Due from Other Governmental Agencies
--	--	1,951	1,951	Inventory of Materials and Supplies (Notes 1 and 13)
--	--	17,323	17,323	Prepaid Costs (Notes 1 and 13)
<u>\$ 258,894</u>	<u>\$ 56,003</u>	<u>\$ 826,426</u>	<u>\$ 2,180,246</u>	Land and Improvements Held for Resale (Notes 1 and 13)
				Notes Receivable
				Total Assets
				LIABILITIES AND FUND BALANCES
\$ 5,353	\$ 3,334	\$ 18,180	\$ 97,804	Liabilities
539	572	1,052	40,288	Accounts Payable
4,009	9,822	6,156	69,007	Salaries and Employee Benefits Payable
11,595	2,036	22,208	73,719	Deposits from Others
1,194	61	4,603	18,635	Due to Other Funds (Note 7)
--	--	--	742	Due to Other Governmental Agencies
2,874	864	16,508	160,909	Insurance Claims Payable (Notes 1 and 16)
<u>25,564</u>	<u>16,689</u>	<u>68,707</u>	<u>461,104</u>	Deferred Revenue (Note 1)
				Total Liabilities
165,302	33,732	444,809	1,071,559	Fund Balances
--	--	--	155,255	Reserved (Note 13)
68,028	5,582	157,083	336,501	Unreserved, Reported in:
--	--	210	210	General Fund
--	--	155,589	155,589	Special Revenue Funds
--	--	28	28	Debt Service Funds
<u>233,330</u>	<u>39,314</u>	<u>757,719</u>	<u>1,719,142</u>	Capital Projects Funds
				Permanent Fund
				Total Fund Balances
<u>\$ 258,894</u>	<u>\$ 56,003</u>	<u>\$ 826,426</u>	<u>\$ 2,180,246</u>	Total Liabilities and Fund Balances

COUNTY OF ORANGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. The difference in fund balance of \$446,997 is due to the long-term economic focus of the Statement of Net Assets versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total fund balances-governmental funds	\$1,719,142
--	-------------

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

Land	474,191	
Structures and improvements	756,294	
Equipment	217,975	
Infrastructure	657,416	
Construction in progress	365,793	
Accumulated depreciation	<u>(691,298)</u>	1,780,371

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

Prepaid pension asset	195,053	
Unamortized bond issuance cost	<u>1,391</u>	196,444

Internal Service Funds primarily serve governmental funds and consequently the assets and liabilities of Internal Service Funds are incorporated as part of governmental activities for purposes of government-wide financial reporting.	49,646
--	--------

Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as it is earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements. In the Statement of Net Assets, the County recognized \$41,856 of revenues related to government-mandated and voluntary nonexchange transactions and \$410 of uncollected property taxes levied in FY 01-02 that were earned but unavailable in FY 01-02.	42,266
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Uncollected property taxes related to prior years are recorded as deferred revenue in governmental funds. Likewise property taxes levied in prior years are recorded as revenues in the current fiscal year as they are collected. These deferred revenues should not be included in the government-wide Statement of Net Assets as they relate to prior periods and were recognized as revenues in prior years.	9,760
--	-------

Governmental funds report only those liabilities that are expected to be liquidated with current available financial resources. Thus, governmental funds typically do not report any liability for the unmatured portion of long-term debt. However, all debt must be reported in the government-wide financial statements. The adjustment to reduce net assets for the unmatured long-term liabilities on the Statement of Net Assets is \$1,631,490, which consisted of the following:

Bonds and COPs payable, net	(1,351,405)	
Compensated employee absences payable	(114,141)	
Pool participants claims	(3,200)	
Capital lease obligations payable	(59,398)	
Arbitrage rebate payable	(48)	
Interest payable on bonds and capital lease obligations payable	(51,793)	
Interest accretion on capital appreciation bonds payable	<u>(51,505)</u>	<u>(1,631,490)</u>

Net assets of governmental activities	<u>\$ 2,166,139</u>
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The notes to the financial statements are an integral part of the statement.



COUNTY OF ORANGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding & Recovery COPs & Debt Prepayment
Revenues					
Taxes	\$ 209,481	\$ --	\$ 22,382	\$ --	\$ --
Licenses, Permits, and Franchises	7,488	517	--	--	--
Fines, Forfeitures and Penalties	44,648	10	7	--	--
Use of Money and Property	18,079	3,328	259	496	6,861
Intergovernmental Revenues	1,319,000	33,306	3,154	36,407	14,486
Charges for Services	268,648	12,212	1,175	--	--
Contributions from Property Owners	--	--	--	--	--
Other Revenues	70,175	--	1,354	--	--
Total Revenues	<u>1,937,519</u>	<u>49,373</u>	<u>28,331</u>	<u>36,903</u>	<u>21,347</u>
Expenditures					
Current					
General Government	129,710	--	--	20	47
Public Protection	686,119	--	--	--	--
Public Ways and Facilities	24,314	41,097	--	--	--
Health and Sanitation	417,373	--	--	--	--
Public Assistance	595,628	--	--	--	--
Education	--	--	26,748	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	28,979	3,662	1,309	--	--
Debt Service					
Principal Retirement	2,689	--	243	--	23,204
Debt Service Payment to Escrow Bond Agent	--	--	--	--	--
Interest	4,165	--	441	--	53,219
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	<u>1,888,977</u>	<u>44,759</u>	<u>28,741</u>	<u>20</u>	<u>76,470</u>
Excess (Deficit) of Revenues					
Over Expenditures	48,542	4,614	(410)	36,883	(55,123)
Other Financing Sources (Uses)					
Transfers In (Note 9)	89,596	5,388	2,517	10	265,136
Transfers Out (Note 9)	(110,741)	--	--	(26,864)	(9,185)
Premiums on Bonds Issued (Note 10)	--	--	--	--	--
Remarketed Refunding Debt Issued (Note 10)	--	--	--	--	--
Payment to Remarketing Agent (Note 10)	--	--	--	--	--
Capital Leases (Note 12)	1,696	--	--	--	--
Refunding Bonds Issued (Note 10)	--	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--	--
Net Change in Fund Balances	<u>29,093</u>	<u>10,002</u>	<u>2,107</u>	<u>10,029</u>	<u>200,828</u>
Fund Balances - Beginning of Year	327,577	94,548	4,029	10,566	--
Fund Balances - End of Year	<u>\$ 356,670</u>	<u>\$ 104,550</u>	<u>\$ 6,136</u>	<u>\$ 20,595</u>	<u>\$ 200,828</u>

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

Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds
\$ 40,627	\$ 30,237	\$ 17,817	\$ 320,544
153	216	3,433	11,807
710	43	18,463	63,881
8,817	22,820	41,485	102,145
14,060	1,097	124,724	1,546,234
9,457	7,540	7,900	306,932
--	--	28,991	28,991
3,382	2,567	15,082	92,560
<u>77,206</u>	<u>64,520</u>	<u>257,895</u>	<u>2,473,094</u>
--	--	31,246	161,023
39,263	--	62,856	788,238
--	--	6,808	72,219
--	--	--	417,373
--	--	102,606	698,234
--	--	--	26,748
--	61,046	555	61,601
30,222	2,379	84,745	151,296
--	--	7,362	33,498
--	--	12,914	12,914
--	--	15,461	73,286
--	--	1,645	1,645
<u>69,485</u>	<u>63,425</u>	<u>326,198</u>	<u>2,498,075</u>
7,721	1,095	(68,303)	(24,981)
156,361	3,265	102,596	624,869
(9,621)	(385)	(450,040)	(606,836)
--	--	3,491	3,491
--	--	34,000	34,000
--	--	(34,000)	(34,000)
--	--	--	1,696
--	--	106,445	106,445
--	--	(101,997)	(101,997)
<u>154,461</u>	<u>3,975</u>	<u>(407,808)</u>	<u>2,687</u>
78,869	35,339	1,165,527	1,716,455
<u>\$ 233,330</u>	<u>\$ 39,314</u>	<u>\$ 757,719</u>	<u>\$ 1,719,142</u>

Revenues
Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties
Use of Money and Property
Intergovernmental Revenues
Charges for Services
Contributions from Property Owners
Other Revenues
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
Debt Service Payment to Escrow Bond Agent
Interest
Debt Issuance Costs
Total Expenditures
Excess (Deficit) of Revenues Over Expenditures
Other Financing Sources (Uses)
Transfers In (Note 9)
Transfers Out (Note 9)
Premiums on Bonds Issued (Note 10)
Remarketed Refunding Debt Issued (Note 10)
Payment to Remarketing Agent (Note 10)
Capital Leases (Note 12)
Refunding Bonds Issued (Note 10)
Payment to Refunded Bond Escrow Agent
Net Change in Fund Balances
Fund Balances - Beginning of Year
Fund Balances - End of Year

COUNTY OF ORANGE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

The "net change in fund balances" for governmental funds of \$2,687 in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the "change in net assets" for governmental activities of \$5,648 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	\$	2,687
--	----	-------

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 expense. This is the amount by which capital expenditures of \$121,956 exceeded depreciation expense of (\$47,859) in the current period.

		74,097
--	--	--------

The issuance of long – term debt (i.e. 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 specified liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of this \$38,244 difference are as follows:

Bonds issued	(106,445)	
Premium on bonds issued	(3,491)	
Principal repayments:		
Bonds payable	140,184	
Option B pool participant claims	800	
Capital lease obligations	838	
Bond issuance costs	1,433	
Deferred loss on bond refund	4,925	38,244

Revenues related to prior years that are available in the current fiscal year (i.e. property taxes) are reported as revenues in the governmental funds. These revenues are reflected as an adjustment to government-wide net assets. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds, but are recorded as revenues in the Statement of Activities. The details of this \$41,374 difference are as follows:

Government mandated and voluntary nonexchange revenues earned in FY 01-02	41,856	
Property tax revenues levied in FY 01-02 but not available	410	
Prior year taxes recorded as revenues in FY 01-02	(892)	41,374

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. The details of this (\$137,820) difference are as follows:

Accrued interest expense	(51,793)	
Amortization of bond issuance cost	(42)	
Amortization of deferred loss on bond refund	(91)	
Compensated employee absences	(29,573)	
Pension costs and amortization of the County's investment account with OCERS	(46,499)	
Capital accretion on bonds payable	(9,822)	(137,820)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telephone services, to individual governmental funds. The net losses 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.

(12,934)

Change in net assets of governmental activities	\$	<u>5,648</u>
---	----	--------------

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



COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 202,385	\$ 1,025	\$ 203,410
Licenses, Permits, and Franchises		5,961	412	6,373
Fines, Forfeitures and Penalties		39,637	1,221	40,858
Use of Money and Property		18,044	--	18,044
Intergovernmental Revenues		1,332,489	25,340	1,357,829
Charges for Services		275,983	4,739	280,722
Other Revenues		93,459	3,753	97,212
Transfers In		90,657	8,034	98,691
Capital Leases		--	--	--
Total Revenues and Other Financing Sources		<u>2,058,615</u>	<u>44,524</u>	<u>2,103,139</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Assessor	\$ 1,051	22,893	2,570	26,514
Auditor-Controller	668	11,470	759	12,897
Board of Supervisors - 1st District	2	614	--	616
Board of Supervisors - 2nd District	2	582	--	584
Board of Supervisors - 3rd District	3	590	--	593
Board of Supervisors - 4th District	8	611	--	619
Board of Supervisors - 5th District	3	595	5	603
Capital Acquisition Financing	--	7,245	206	7,451
Capital Projects	17,460	46,780	(472)	63,768
Clerk of the Board	193	2,425	(44)	2,574
County Counsel	132	5,687	--	5,819
County Executive Office	1,694	20,591	416	22,701
Data Systems	4,356	--	--	4,356
Data Systems Development Project	2,648	17,002	(363)	19,287
Employee Benefits	36	5,462	224	5,722
Internal Audit	40	1,775	80	1,895
Miscellaneous	78	71,791	(7,087)	64,782
Office of Protocol and International Business Development	8	206	165	379
Provisions For Contingencies	--	5,000	--	5,000
Recovery Certificates of Participation Lease Financing	--	63,743	3,006	66,749
Registration and Elections	33	7,482	1,120	8,635
Treasurer-Tax Collector	179	10,317	759	11,255
Utilities	777	19,507	(1)	20,283
Public Protection:				
Alternate Defense	--	10,065	(111)	9,954
Clerk-Recorder	96	5,397	1,159	6,652
Detention Release	--	1,141	--	1,141
District Attorney	4,012	127,275	4,057	135,344
Domestic Violence Programs	40	--	--	40
Emergency Management Division	138	916	60	1,114
Family Support	59	--	79	138
Grand Jury	3	503	1	507
Juvenile Justice Commission	1	150	--	151
Local Agency Formation Commission	10	--	--	10
Planning and Development Services Department	251	11,925	--	12,176
Probation	3,968	113,086	4,864	121,918
Public Defender	262	35,787	1,386	37,435
Sheriff-Coroner	10,194	312,449	3,216	325,859
Sheriff-Coroner Communications	808	12,816	--	13,624
Sheriff Court Operations	30	35,375	--	35,405
Trial Courts	680	66,983	2,000	69,663
Public Ways and Facilities:				
Public Facilities and Resources Department	2,381	40,940	35	43,356
Health and Sanitation:				
Health Care Agency	3,843	421,303	10,709	435,855
Watershed Management Program	397	11,856	5,984	18,237
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	10	110,445	1,069	111,524
Aid to Refugees	--	335	316	651
California Work Opportunities and Responsibility to Kids	--	107,117	6,309	113,426
Case Data System	--	--	--	--
Community Services Agency	496	17,822	1,691	20,009
General Relief	--	1,073	--	1,073
Social Services Agency	16,592	404,697	686	421,975
Total Expenditures/Encumbrances and Other Financing Uses	<u>73,642</u>	<u>2,171,824</u>	<u>44,853</u>	<u>2,290,319</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(73,642)	(113,209)	(329)	(187,180)
Fund Balances - Beginning of Year	--	115,709	--	115,709
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	73,642	--	--	73,642
Provisions for Reserves and/or Designations	--	(2,500)	329	(2,171)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent (Overspent) Appropriations
\$ 209,481	\$ 6,071		
7,488	1,115		
44,648	3,790		
18,079	35		
1,319,000	(38,829)		
268,648	(12,074)		
70,175	(27,037)		
89,596	(9,095)		
1,696	1,696		
<u>2,028,811</u>	<u>(74,328)</u>		
25,749	765	\$ 740	\$ 25
12,067	830	850	(20)
595	21	2	19
561	23	2	21
559	34	4	30
600	19	2	17
592	11	2	9
7,362	89	--	89
13,989	49,779	12,105	37,674
2,424	150	135	15
4,809	1,010	246	764
17,604	5,097	2,034	3,063
3,573	783	623	160
15,343	3,944	3,694	250
5,618	104	52	52
1,728	167	64	103
22,984	41,798	--	41,798
196	183	--	183
--	5,000	--	5,000
66,526	223	--	223
7,553	1,082	973	109
11,132	123	106	17
18,784	1,499	585	914
9,954	--	--	--
6,412	240	153	87
1,126	15	5	10
116,205	19,139	2,004	17,135
11	29	--	29
821	293	69	224
--	138	79	59
399	108	3	105
146	5	--	5
4	6	--	6
9,506	2,670	283	2,387
114,839	7,079	6,554	525
37,220	215	143	72
299,367	26,492	8,231	18,261
8,084	5,540	140	5,400
33,470	1,935	31	1,904
69,330	333	222	111
24,974	18,382	1,749	16,633
416,843	19,012	3,529	15,483
6,886	11,351	5,269	6,082
111,162	362	352	10
455	196	--	196
113,426	--	--	--
(1)	1	--	1
18,281	1,728	1,109	619
885	188	--	188
359,565	62,410	21,018	41,392
<u>1,999,718</u>	<u>290,601</u>	<u>\$ 73,162</u>	<u>\$ 217,439</u>
29,093	<u>\$ 216,273</u>		
327,577			
(201,417)			
73,162			
128,255			
<u>\$ 356,670</u>			

Revenues and Other Financing Sources

Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties
Use of Money and Property
Intergovernmental Revenues
Charges for Services
Other Revenues
Transfers In
Capital Leases
Total Revenues and Other Financing Sources

Expenditures/Encumbrances and Other Financing Uses

General Government:
Assessor
Auditor-Controller
Board of Supervisors - 1st District
Board of Supervisors - 2nd District
Board of Supervisors - 3rd District
Board of Supervisors - 4th District
Board of Supervisors - 5th District
Capital Acquisition Financing
Capital Projects
Clerk of the Board
County Counsel
County Executive Office
Data Systems
Data Systems Development Project
Employee Benefits
Internal Audit
Miscellaneous
Office of Protocol and International Business Development
Provisions For Contingencies
Recovery Certificates of Participation Lease Financing
Registration and Elections
Treasurer-Tax Collector
Utilities
Public Protection:
Alternate Defense
Clerk-Recorder
Detention Release
District Attorney
Domestic Violence Programs
Emergency Management Division
Family Support
Grand Jury
Juvenile Justice Commission
Local Agency Formation Commission
Planning and Development Services Department
Probation
Public Defender
Sheriff-Coroner
Sheriff-Coroner Communications
Sheriff Court Operations
Trial Courts
Public Ways and Facilities:
Public Facilities and Resources Department
Health and Sanitation:
Health Care Agency
Watershed Management Program
Public Assistance:
Aid to Families with Dependent Children - Foster Care
Aid to Refugees
California Work Opportunities and Responsibility to Kids
Case Data System
Community Services Agency
General Relief
Social Services Agency
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues and Other
Financing Sources Over Expenditures
and Other Financing Uses
Fund Balances - Beginning of Year
Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations
Fund Balances - End of Year

COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
ROADS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises		\$ 399	\$ --	\$ 399
Fines, Forfeitures and Penalties		15	--	15
Use of Money and Property		5,265	--	5,265
Intergovernmental Revenues		29,829	87	29,916
Charges for Services		12,737	--	12,737
Other Revenues		9,160	1,385	10,545
Transfers In		2,000	--	2,000
Total Revenues and Other Financing Sources		<u>59,405</u>	<u>1,472</u>	<u>60,877</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Ways and Facilities:				
Roads	\$ 6,648	57,423	430	64,501
Foothill Circulation Phasing Plan	3,122	7,580	(5,167)	5,535
Total Expenditures/Encumbrances and Other Financing Uses	<u>9,770</u>	<u>65,003</u>	<u>(4,737)</u>	<u>70,036</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(9,770)	(5,598)	6,209	(9,159)
Fund Balances - Beginning of Year	--	29,115	--	29,115
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	9,770	--	--	9,770
Provisions for Reserves and/or Designations	--	(23,517)	(6,209)	(29,726)
Fund Balances - End of Year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent (Overspent) Appropriations
\$ 517	\$ 118		
10	(5)		
3,328	(1,937)		
33,306	3,390		
12,212	(525)		
--	(10,545)		
5,388	3,388		
<u>54,761</u>	<u>(6,116)</u>		
42,148	22,353	\$ 6,096	\$ 16,257
2,611	2,924	3,008	(84)
<u>44,759</u>	<u>25,277</u>	<u>\$ 9,104</u>	<u>\$ 16,173</u>
10,002	<u>\$ 19,161</u>		
94,548			
(80,771)			
9,104			
71,667			
<u>\$ 104,550</u>			

Revenues and Other Financing Sources

Licenses, Permits, and Franchises
 Fines, Forfeitures and Penalties
 Use of Money and Property
 Intergovernmental Revenues
 Charges for Services
 Other Revenues
 Transfers In
 Total Revenues and Other Financing Sources

Expenditures/Encumbrances and Other Financing Uses

Public Ways and Facilities:
 Roads
 Foothill Circulation Phasing Plan
 Total Expenditures/Encumbrances
 and Other Financing Uses
 Excess (Deficit) of Revenues and Other
 Financing Sources Over Expenditures/
 Encumbrances and Other Financing Uses

Fund Balances - Beginning of Year
 Cancellation of Reserves/Designations
 Fund Balance Reserved for Encumbrances
 Provisions for Reserves and/or Designations
 Fund Balances - End of Year

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

**COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
PUBLIC LIBRARY
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 22,481	\$ --	\$ 22,481
Fines, Forfeitures and Penalties		8	--	8
Use of Money and Property		287	60	347
Intergovernmental Revenues		3,581	(503)	3,078
Charges for Services		1,124	--	1,124
Other Revenues		2,347	2,796	5,143
Transfers In		253	1,106	1,359
Total Revenues and Other Financing Sources		<u>30,081</u>	<u>3,459</u>	<u>33,540</u>
Expenditures/Encumbrances and Other Financing Uses				
Education:				
Public Library - Capital	\$ 413	3,154	4,547	8,114
Public Library	848	29,929	(977)	29,800
Total Expenditures/Encumbrances and Other Financing Uses	<u>1,261</u>	<u>33,083</u>	<u>3,570</u>	<u>37,914</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(1,261)	(3,002)	(111)	(4,374)
Fund Balances - Beginning of Year	--	3,384	--	3,384
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	1,261	--	--	1,261
Provisions for Reserves and/or Designations	--	(382)	111	(271)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
\$ 22,382	\$ (99)		
7	(1)		
259	(88)		
3,154	76		
1,175	51		
1,354	(3,789)		
2,517	1,158		
<u>30,848</u>	<u>(2,692)</u>		
1,289	6,825	\$ 426	\$ 6,399
<u>27,452</u>	<u>2,348</u>	<u>622</u>	<u>1,726</u>
<u>28,741</u>	<u>9,173</u>	<u>\$ 1,048</u>	<u>\$ 8,125</u>
2,107	<u>\$ 6,481</u>		
4,029			
(3,118)			
1,048			
2,070			
<u>\$ 6,136</u>			

Revenues and Other Financing Sources

Taxes
Fines, Forfeitures and Penalties
Use of Money and Property
Intergovernmental Revenues
Charges for Services
Other Revenues
Transfers In
Total Revenues and Other Financing Sources

Expenditures/Encumbrances and Other Financing Uses

Education:
Public Library - Capital
Public Library
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues and Other
Financing Sources Over Expenditures/
Encumbrances and Other Financing Uses

Fund Balances - Beginning of Year
Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations
Fund Balances - End of Year

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

**COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
TOBACCO SETTLEMENT
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Use of Money and Property		\$ 149	\$ --	\$ 149
Intergovernmental Revenues		28,842	--	28,842
Transfers In		--	--	--
Total Revenues and Other Financing Sources		<u>28,991</u>	<u>--</u>	<u>28,991</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	\$ --	28,842	--	28,842
Tobacco Settlement Funds	--	5,562	5,153	10,715
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>34,404</u>	<u>5,153</u>	<u>39,557</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(5,413)	(5,153)	(10,566)
Fund Balances - Beginning of Year	--	5,413	--	5,413
Cancellation of Reserves/Designations	--	--	5,153	5,153
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
\$ 496	\$ 347		
36,407	7,565		
10	10		
<u>36,913</u>	<u>7,922</u>		
19,012	9,830	\$ --	\$ 9,830
7,872	2,843	--	2,843
<u>26,884</u>	<u>12,673</u>	<u>\$ --</u>	<u>\$ 12,673</u>
10,029	<u>\$ 20,595</u>		
10,566			
--			
<u>\$ 20,595</u>			

Revenues and Other Financing Sources

Use of Money and Property
Intergovernmental Revenues
Transfers In
Total Revenues and Other Financing Sources

Expenditures/Encumbrances and Other Financing Uses

General Government:
Orange County Tobacco Settlement Fund
Tobacco Settlement Funds
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues and Other
Financing Sources Over Expenditures/
Encumbrances and Other Financing Uses

Fund Balances - Beginning of Year
Cancellation of Reserves/Designations
Fund Balances - End of Year

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

COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
REFUNDING & RECOVERY CERTIFICATES OF PARTICIPATION AND DEBT PREPAYMENT
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Use of Money and Property		\$ 3,515	\$ --	\$ 3,515
Intergovernmental Revenues		14,486	--	14,486
Transfers In		16,725	270	16,995
Total Revenues and Other Financing Sources		<u>34,726</u>	<u>270</u>	<u>34,996</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Debt Prepayment Fund	\$ --	59,651	77	59,728
Refunding Recovery Bonds	--	46,000	(153)	45,847
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>105,651</u>	<u>(76)</u>	<u>105,575</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(70,925)	346	(70,579)
Fund Balances - Budgeted Funds - Beginning of Year	--	70,925	--	70,925
Net Increase in Fund Balance - Non-Budgeted Funds	--	--	--	--
Cancellation of Reserves/Designations	--	--	(346)	(346)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
\$ 3,137	\$ (378)		
14,486	--		
<u>87,574</u>	<u>70,579</u>		
<u>105,197</u>	<u>70,201</u>		
1,367	58,361	\$ --	\$ 58,361
<u>16,320</u>	<u>29,527</u>	<u>--</u>	<u>29,527</u>
<u>17,687</u>	<u>87,888</u>	<u>\$ --</u>	<u>\$ 87,888</u>
87,510	<u>\$ 158,089</u>		
--			
113,316			
<u>2</u>			
<u>\$ 200,828</u>			

Revenues and Other Financing Sources

Use of Money and Property
Intergovernmental Revenues
Transfers In
Total Revenues and Other Financing Sources

Expenditures/Encumbrances and Other Financing Uses

General Government:
Debt Prepayment Fund
Refunding Recovery Bonds
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues and Other
Financing Sources Over Expenditures/
Encumbrances and Other Financing Uses

Fund Balances - Budgeted Funds - Beginning of Year
Net Increase in Fund Balance - Non-Budgeted Funds
Cancellation of Reserves/Designations
Fund Balances - End of Year

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

**COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 37,631	\$ --	\$ 37,631
Licenses, Permits, and Franchises		230	--	230
Fines, Forfeitures and Penalties		1	--	1
Use of Money and Property		13,047	--	13,047
Intergovernmental Revenues		14,978	--	14,978
Charges for Services		7,696	--	7,696
Other Revenues		1,813	--	1,813
Transfers In		--	--	--
Total Revenues and Other Financing Sources		<u>75,396</u>	<u>--</u>	<u>75,396</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Flood Control District	\$ 28,990	77,507	537	107,034
Santa Ana River Environmental Enhancement	--	229	1	230
Flood Control District - Capital	2,054	59,095	--	61,149
Total Expenditures/Encumbrances and Other Financing Uses	<u>31,044</u>	<u>136,831</u>	<u>538</u>	<u>168,413</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(31,044)	(61,435)	(538)	(93,017)
Fund Balances - Beginning of Year	--	79,287	--	79,287
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	31,044	--	--	31,044
Provisions for Reserves and/or Designations	--	(17,852)	538	(17,314)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
\$ 40,627	\$ 2,996		
153	(77)		
710	709		
8,817	(4,230)		
14,060	(918)		
9,457	1,761		
3,382	1,569		
<u>156,361</u>	<u>156,361</u>		
<u>233,567</u>	<u>158,171</u>		
70,151	36,883	\$ 20,162	\$ 16,721
2	228	--	228
<u>8,953</u>	<u>52,196</u>	<u>3,127</u>	<u>49,069</u>
<u>79,106</u>	<u>89,307</u>	<u>\$ 23,289</u>	<u>\$ 66,018</u>
154,461	<u>\$ 247,478</u>		
78,869			
(165,302)			
23,289			
<u>142,013</u>			
<u>\$ 233,330</u>			

Revenues and Other Financing Sources

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

Expenditures/Encumbrances and Other Financing Uses

Public Protection:
Flood Control District
Santa Ana River Environmental Enhancement
Flood Control District - Capital
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues and Other
Financing Sources Over Expenditures/
Encumbrances and Other Financing Uses

Fund Balances - Beginning of Year
Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations
Fund Balances - End of Year

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

**COUNTY OF ORANGE
BUDGETARY COMPARISON STATEMENT
HARBORS, BEACHES AND PARKS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 27,346	\$ --	\$ 27,346
Licenses, Permits, and Franchises		220	--	220
Fines, Forfeitures and Penalties		33	--	33
Use of Money and Property		27,826	496	28,322
Intergovernmental Revenues		20,824	185	21,009
Charges for Services		6,187	--	6,187
Other Revenues		6,519	--	6,519
Transfers In		624	--	624
Total Revenues and Other Financing Sources		<u>89,579</u>	<u>681</u>	<u>90,260</u>
Expenditures/Encumbrances and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	\$ 51	2,549	31	2,631
County Tidelands - Dana Point	278	15,809	792	16,879
Harbors, Beaches, and Parks	<u>9,527</u>	<u>73,906</u>	<u>621</u>	<u>84,054</u>
Total Expenditures/Encumbrances and Other Financing Uses	<u>9,856</u>	<u>92,264</u>	<u>1,444</u>	<u>103,564</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(9,856)	(2,685)	(763)	(13,304)
Fund Balances - Beginning of Year	--	7,037	--	7,037
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	9,856	--	--	9,856
Provisions for Reserves and/or Designations	--	(4,352)	763	(3,589)
Fund Balances - End of Year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

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

Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
\$ 30,237	\$ 2,891		
216	(4)		
43	10		
22,820	(5,502)		
1,097	(19,912)		
7,540	1,353		
2,567	(3,952)		
3,265	2,641		
<u>67,785</u>	<u>(22,475)</u>		
1,276	1,355	\$ 18	\$ 1,337
13,967	2,912	1,190	1,722
48,567	35,487	6,220	29,267
<u>63,810</u>	<u>39,754</u>	<u>\$ 7,428</u>	<u>\$ 32,326</u>
3,975	<u>\$ 17,279</u>		
35,339			
(33,731)			
7,428			
26,303			
<u>\$ 39,314</u>			

Revenues and Other Financing Sources

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

Expenditures/Encumbrances and Other Financing Uses

Recreation and Cultural Services:
County Tidelands - Newport Bay
County Tidelands - Dana Point
Harbors, Beaches, and Parks
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues and Other
Financing Sources Over Expenditures/
Encumbrances and Other Financing Uses

Fund Balances - Beginning of Year
Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations
Fund Balances - End of Year

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

COUNTY OF ORANGE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2002
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
ASSETS				
Current assets				
Pooled Cash/Investments (Notes 1 and 4)	\$ 16,934	\$ 238,955	\$ 255,889	\$ 133,755
Cash Equivalents/Specific Investments (Notes 1 and 4)	23,730	--	23,730	--
Imprest Cash Funds (Note 4)	14	35	49	55
Pooled Cash/Investments - Closure Costs (Notes 1, 4, and 14)	--	120,913	120,913	--
Receivables				
Accounts	2,992	10,094	13,086	194
Interest/Dividends	115	2	117	--
Allowance for Uncollectible Receivables	(5)	(13)	(18)	--
Due from Other Funds (Note 7)	412	2,182	2,594	2,200
Due from Other Governmental Agencies	2,311	452	2,763	176
Inventory of Materials and Supplies (Notes 1 and 13)	--	--	--	300
Prepaid Costs (Notes 1 and 13)	1,937	--	1,937	--
Total current assets	<u>48,440</u>	<u>372,620</u>	<u>421,060</u>	<u>136,680</u>
Restricted assets				
Restricted Pooled Cash/Investments (Note 4)	4,024	--	4,024	--
Restricted Cash and Investments with Trustee (Note 4)	39,965	9,987	49,952	--
Deposits In-Lieu of Cash	14,891	18,250	33,141	--
Total restricted assets	<u>58,880</u>	<u>28,237</u>	<u>87,117</u>	<u>--</u>
Noncurrent assets				
Investments (Notes 1 and 4)	14,404	--	14,404	--
Capital Assets: (Note 5)				
Land	15,678	17,070	32,748	--
Structures and Improvements	296,453	5,477	301,930	--
Accumulated Depreciation	(111,099)	(2,264)	(113,363)	--
Equipment	8,485	37,674	46,159	76,687
Accumulated Depreciation	(4,586)	(17,435)	(22,021)	(55,480)
Construction in Progress	8,078	23,233	31,311	811
Infrastructure	117,504	168,389	285,893	--
Accumulated Depreciation	(57,426)	(41,979)	(99,405)	--
Bond Issuance Costs	1,010	1,050	2,060	--
Total noncurrent assets	<u>288,501</u>	<u>191,215</u>	<u>479,716</u>	<u>22,018</u>
Total Assets	<u>395,821</u>	<u>592,072</u>	<u>987,893</u>	<u>158,698</u>
LIABILITIES				
Current liabilities				
Accounts Payable	4,995	6,692	11,687	6,243
Salaries and Employee Benefits Payable	309	550	859	464
Deferred Revenue	2,950	--	2,950	--
Due to Other Funds (Note 7)	1,716	2,938	4,654	718
Due to Other Governmental Agencies	--	1,859	1,859	8
Insurance Claims Payable (Notes 1 and 16)	--	--	--	49,708
Compensated Employee Absences Payable (Notes 1 and 10)	93	247	340	143
Landfill Site Closure/Postclosure Liability (Notes 10 and 14)	--	5,209	5,209	--
Total current liabilities	<u>10,063</u>	<u>17,495</u>	<u>27,558</u>	<u>57,284</u>
Current liabilities payable from restricted assets				
Bonds Payable (Notes 1 and 10)	8,970	3,525	12,495	--
Interest Payable	--	282	282	--
Deposits from Others	18,916	18,250	37,166	--
Total current liabilities payable from restricted assets	<u>27,886</u>	<u>22,057</u>	<u>49,943</u>	<u>--</u>
Noncurrent liabilities				
Insurance Claims Payable (Notes 1 and 16)	--	--	--	55,031
Compensated Employee Absences Payable (Notes 1 and 10)	937	1,590	2,527	1,109
Landfill Site Closure/Postclosure Liability (Notes 10 and 14)	--	168,282	168,282	--
Bonds Payable (Notes 1 and 10)	154,695	56,870	211,565	--
Arbitrage Rebate Payable (Note 10)	--	245	245	--
Total noncurrent liabilities	<u>155,632</u>	<u>226,987</u>	<u>382,619</u>	<u>56,140</u>
Total Liabilities	<u>193,581</u>	<u>266,539</u>	<u>460,120</u>	<u>113,424</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	110,431	130,538	240,969	22,018
Restricted (Note 1)	39,986	143,343	183,329	66,214
Unrestricted (Note 1)	51,823	51,652	103,475	(42,958)
Total Net Assets	<u>\$ 202,240</u>	<u>\$ 325,533</u>	<u>\$ 527,773</u>	<u>\$ 45,274</u>
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			(4,372)	
Net assets of business-type activities			<u>\$ 523,401</u>	

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

COUNTY OF ORANGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Operating Revenues				
Use of Property	\$ 64,223	\$ 585	\$ 64,808	\$ 932
Licenses, Permits, and Franchises	--	62	62	--
Charges for Services	12,233	103,216	115,449	56,198
Insurance Premiums	--	--	--	94,145
Other Revenues	--	417	417	--
Total Operating Revenues	<u>76,456</u>	<u>104,280</u>	<u>180,736</u>	<u>151,275</u>
Operating Expenses				
Salaries and Employee Benefit	8,551	16,206	24,757	10,659
Services and Supplies	11,306	11,648	22,954	26,410
Professional Services	21,487	10,098	31,585	28,643
Operating Leases	124	3,455	3,579	4,420
Insurance Claims (Note 16)	--	--	--	87,597
Other Charges	--	8,171	8,171	11,580
Landfill Site Closure/Postclosure Costs (Note 14)	--	7,239	7,239	--
Depreciation (Note 5)	17,634	11,218	28,852	6,025
Total Operating Expenses	<u>59,102</u>	<u>68,035</u>	<u>127,137</u>	<u>175,334</u>
Operating Income (Loss)	<u>17,354</u>	<u>36,245</u>	<u>53,599</u>	<u>(24,059)</u>
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	25	25	--
Intergovernmental Revenues	1,618	19	1,637	44
Interest Revenue	3,098	11,549	14,647	4,186
Interest Expense	(11,623)	(3,853)	(15,476)	--
Loss on Disposition of Capital Assets	--	(151)	(151)	(83)
Other Revenue (Expense) - Net	(14)	(116)	(130)	1,037
Total Nonoperating Revenues (Expenses)	<u>(6,921)</u>	<u>7,473</u>	<u>552</u>	<u>5,184</u>
Income (Loss) Before Contributions and Transfers	10,433	43,718	54,151	(18,875)
Capital Contributions	1,610	--	1,610	5,660
Transfers In (Note 9)	--	--	--	1,780
Transfers Out (Note 9)	(6,810)	(12,796)	(19,606)	(207)
Increase (Decrease) in Net Assets	5,233	30,922	36,155	(11,642)
Net Assets - Beginning of Year	197,007	294,611		56,916
Net Assets - End of Year	<u>\$ 202,240</u>	<u>\$ 325,533</u>		<u>\$ 45,274</u>
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds			<u>(4,372)</u>	
Increase in Net Assets of Business-type Activities			<u>\$ 31,783</u>	

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

COUNTY OF ORANGE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Waste			
	Airport	Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 70,205	\$ 104,470	\$ 174,675	\$ 56,587
Cash Received for Premiums Within the County's Entity	--	--	--	94,145
Payments to Suppliers for Goods and Services	(33,260)	(22,827)	(56,087)	(135,370)
Payments to Employees for Services	(8,242)	(15,600)	(23,842)	(10,047)
Internal Activity - Payments (to) from Other Funds	(1,243)	(688)	(1,931)	332
Cash Received from (Paid to) Interfund Charges	(18)	438	420	3,485
Other Operating Payments	(137)	(10,337)	(10,474)	(3,394)
Net Cash Provided by Operating Activities	<u>27,305</u>	<u>55,456</u>	<u>82,761</u>	<u>5,738</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	--	--	--	740
Transfers Out	(6,810)	(12,796)	(19,606)	(207)
Intergovernmental Revenues	1,618	19	1,637	44
Net Cash (Used) Provided by Noncapital Financing Activities	<u>(5,192)</u>	<u>(12,777)</u>	<u>(17,969)</u>	<u>577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(5,507)	(24,516)	(30,023)	(4,409)
Principal Paid on Bonds	(9,680)	(3,730)	(13,410)	--
Interest Paid on Long-Term Debt	(10,032)	(3,437)	(13,469)	--
Capital Contributions	1,610	--	1,610	--
Transfers In	--	--	--	1,040
Proceeds from Sale of Fixed Assets	--	20	20	138
Net Cash Used by Capital and Related Financing Activities	<u>(23,609)</u>	<u>(31,663)</u>	<u>(55,272)</u>	<u>(3,231)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	3,889	13,760	17,649	4,182
Purchases of Investments	(3,838)	--	(3,838)	--
Decrease in Restricted Investments with Trustee	--	41	41	--
Net Cash Provided by Investing Activities	<u>51</u>	<u>13,801</u>	<u>13,852</u>	<u>4,182</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,445)	24,817	23,372	7,266
Cash Balances - Beginning of Year	66,769	335,086	401,855	126,544
Cash Balances - End of Year	<u>\$ 65,324</u>	<u>\$ 359,903</u>	<u>\$ 425,227</u>	<u>\$ 133,810</u>

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

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by Operating Activities				
Operating Income (Loss)	\$ 17,354	\$ 36,245	\$ 53,599	\$ (24,059)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	17,634	11,218	28,852	6,025
Provision for Landfill Site Closure/Postclosure Costs	--	7,239	7,239	--
Fines, Forfeitures and Penalties	--	25	25	--
Other Revenue (Expense)	(14)	(116)	(130)	1,037
(Increases) Decreases In:				
Deposits In-Lieu of Cash	(3)	771	768	--
Accounts Receivable	(648)	679	31	(14)
Due from Other Funds	(18)	438	420	3,485
Due from Component Unit	--	--	--	(1)
Due from Other Governmental Agencies	(1,051)	(35)	(1,086)	(117)
Prepaid Costs	(963)	--	(963)	--
Inventory of Materials and Supplies	--	--	--	34
Increases (Decreases) In:				
Accounts Payable	576	709	1,285	4,870
Salaries and Employee Benefits Payable	28	39	67	60
Deposits from Others	(6,112)	(1,224)	(7,336)	--
Due to Other Funds	(1,243)	(688)	(1,931)	332
Due to Other Governmental Agencies	(80)	(63)	(143)	2
Insurance Claims Payable	--	--	--	13,943
Deferred Revenue	1,563	--	1,563	(412)
Compensated Employee Absences Payable	282	566	848	553
Arbitrage Rebate Payable	--	68	68	--
Landfill Site Closure Disbursements	--	(415)	(415)	--
Total Adjustments	<u>9,951</u>	<u>19,211</u>	<u>29,162</u>	<u>29,797</u>
Net Cash Provided by Operating Activities	<u>\$ 27,305</u>	<u>\$ 55,456</u>	<u>\$ 82,761</u>	<u>\$ 5,738</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets Accounts				
Pooled Cash/Investments	\$ 16,934	\$ 238,955	\$ 255,889	\$ 133,755
Pooled Cash/Investments - Closure Costs	--	120,913	120,913	--
Cash Equivalents/Specific Investments	23,730	--	23,730	--
Imprest Cash Funds	14	35	49	55
Restricted Pooled Cash/Investments	4,024	--	4,024	--
Restricted Cash and Investments with Trustee	20,622 (1)	--	20,622	--
Total Cash and Cash Equivalents	<u>\$ 65,324</u>	<u>\$ 359,903</u>	<u>\$ 425,227</u>	<u>\$ 133,810</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

During the year, the Information and Technology Internal Service Fund received \$5,660 of equipment contributions from the General Fund.

(1) Does not include \$19,343 from Airport's nonliquid Restricted Cash and Investments with Trustee.

COUNTY OF ORANGE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002
(In Thousands)

	Private- Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits	Agency Funds
ASSETS				
Pooled Cash/Investments (Notes 1 and 4)	\$ 54,578	\$ 1,940,137	\$ 4,128	\$ 120,523
Imprest Cash Funds (Notes 1 and 4)	100	--	--	10
Restricted Cash and Investments with Trustees (Notes 1 and 4)	2,857	--	--	25,640
Investments (Notes 1 and 4)	--	--	--	1,343
Deposits In-Lieu of Cash	499	--	--	14,211
Receivables				
Accounts	7	--	--	8,822
Taxes (Note 1)	--	--	--	140,679
Interest/Dividends	--	7,319	--	10,500
Allowance for Uncollectible Receivables	(4)	--	--	--
Due from Other Funds (Note 7)	272	897	24	161
Due from Other Governmental Agencies	--	501	--	39,184
Notes Receivable	--	--	--	6,662
Total Assets	<u>58,309</u>	<u>1,948,554</u>	<u>4,152</u>	<u>367,735</u>
LIABILITIES				
Accounts Payable	--	--	--	--
Salaries and Employee Benefits Payable	--	--	--	--
Deposits from Others	--	--	--	355
Monies Held for Others	--	--	--	82,720
Due to Other Funds (Note 7)	106	335	--	9,857
Due to Component Unit (Note 7)	--	--	--	734
Due to Other Governmental Agencies	--	--	--	72,204
Unapportioned Taxes	--	--	--	201,865
Total Liabilities	<u>106</u>	<u>335</u>	<u>--</u>	<u>367,735</u>
NET ASSETS				
Held in trust (Note 13)	58,203	1,948,519	4,152	--
Total Net Assets	<u>\$ 58,203</u>	<u>\$ 1,948,519</u>	<u>\$ 4,152</u>	<u>\$ --</u>

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

**COUNTY OF ORANGE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Private-Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits
Additions:			
Employee Contributions	\$ --	\$ --	\$ 1,155
Contributions to Pooled Investments	--	6,047,708	--
Contributions to Private-Purpose Trust	23,409	--	--
Interest and Investment Income	1,133	49,897	118
Less: Investment Expense	(44)	(1,822)	(5)
Total Additions	<u>24,498</u>	<u>6,095,783</u>	<u>1,268</u>
Deductions:			
Refunds of Prior Contributions	--	--	584
Distributions from Pooled Investments	--	5,701,732	--
Distributions from Private-Purpose Trust	71	--	--
Total Deductions	<u>71</u>	<u>5,701,732</u>	<u>584</u>
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	24,427	--	--
External Investment Pool	--	394,051	--
Employees' Retirement	--	--	684
Net Assets Held in Trust, Beginning of Year, as Restated (Note 2)	<u>33,776</u>	<u>1,554,468</u>	<u>3,468</u>
Net Assets Held in Trust, End of Year	<u>\$ 58,203</u>	<u>\$ 1,948,519</u>	<u>\$ 4,152</u>

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





COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

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, 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 accounting principles generally accepted in the United States of America (GAAP), these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the County Board of Supervisors 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*," to determine whether the following component units should be reported as blended or discretely presented component units:

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 Development Agency The governing body of the Agency is the County's governing body. Among its duties, it approves the Agency's budget and appoints the management. The Agency is reported in governmental fund types. Separate financial statements are issued for this component unit. Copies of the financial statements can be obtained from Housing & Community Development Accounting.

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, determines the rates and charges for the use of facilities and appoints the management. The Authority is reported in governmental fund types.

Orange County Financing Authority The Authority is a joint powers authority of the Orange County Development Agency and the Orange County Housing Authority, formed for the purpose of assisting the Orange County Development Agency in financing and refinancing its redevelopment projects and activities. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A. Reporting Entity (Cont'd)

Blended Component Units (Cont'd)

Orange County Civic Center Authority The Authority is a joint powers authority of the County and the City of Santa Ana. It has a five member governing body with two members appointed by each of the County and the City of Santa Ana and the fifth member appointed by the other four members. The County has control over operations and responsibility for fiscal management of the Authority and the Authority is fiscally dependent upon the County. In the opinion of County management, the Authority is treated as a blended component unit of the County, rather than as a joint venture because it would be misleading to exclude the Orange County Civic Center Authority because of its relationship with the County. The Authority's operations included a final debt service payment of \$330 for the year ended June 30, 2002. The Authority will have no more activity in subsequent years. Separate financial statements are also issued for this component unit. Copies of the financial statements can be obtained from Public Facilities & Resources Department (PFRD) Accounting. The Authority is reported in governmental fund types.

Orange County Special Financing Authority The Authority is a joint powers authority of the County and the Orange County Development Agency, formed to assist in the refinancing of the County's Teeter Plan program, and in the financing of public capital improvements and other projects. The governing body of the Authority is the County's governing body. Separate financial statements are issued for this component unit. Copies of the financial statements can be obtained from the County Executive Office (CEO)/Public Finance Accounting. 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, 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.

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

County Service Areas, Special Assessment Districts, and Community Facilities Districts The governing body of County Service Areas, Special Assessment Districts, and Community Facilities Districts ("special districts") is the County Board of Supervisors. The Board of Supervisors, as the governing body, approves the special districts' budgets, and approves parcel fees, special assessments and special taxes. The special districts are reported in governmental fund types.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A. Reporting Entity (Cont'd)

Discretely Presented Component Unit

Orange County Children and Families Commission The Commission is administered by a governing board of nine members, who are appointed by the County Board of Supervisors. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County, funded by additional State taxes on tobacco products approved by California voters via Proposition 10 in November 1998. The Commission is presented as a discretely presented component unit of the County because, although the County Board of Supervisors has no control over the revenues, budgets, staff, or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them. A separate stand-alone annual financial report can be obtained by writing to the Orange County Children and Families Commission, 17320 Redhill Avenue, Suite 200, Irvine, CA 92614.

B. Government-Wide and Fund Financial Statements

New Reporting Model: GASB Statement No. 34

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). GASB Statement No. 34 implements major changes in governmental financial reporting, including changes in the basic financial statements included in a government's comprehensive annual financial report (CAFR). This new governmental reporting model is effective for the County of Orange beginning with FY 2001-02, the period covered by this CAFR.

GASB Statement No. 34 requires the presentation of government-wide financial statements and fund financial statements. These statements replace the fund and account group statements presented under the previous GAAP for local governments. Where the previous financial statements for governmental funds were prepared on a modified accrual basis of accounting using the current financial resources measurement focus, the new government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. The government-wide financial statements disclose long-term liabilities and capital assets, which were previously displayed in separate account groups for the governmental funds. Depreciation expense and accumulated depreciation, which were not previously reported for governmental funds, are also displayed on the government-wide statements. The capital assets and related depreciation also include the costs and depreciation of infrastructure assets, which were not previously capitalized and depreciated.

The new fund financial statements for the governmental funds continue to be 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 non-major governmental funds. Fund financial statements for proprietary funds continue to be reported under the accrual basis of accounting and the economic resources measurement focus, as they were prior to GASB Statement No. 34. 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd)

B. Government-Wide and Fund Financial Statements (Cont'd)

Government-Wide Financial Statements

Under the new reporting model, the basic financial statements include both the government-wide and fund financial statements. GASB Statement No. 34 mandates the presentation of two basic government-wide financial statements:

- *Statement of Net Assets*
- *Statement of Activities*

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

Governmental activities, which are normally supported by taxes, intergovernmental revenues, and 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 consolidated total column presented for the primary government. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide Statement of Net Assets displays the financial position of the primary government, in this case the County, and its discretely presented component unit. The Statement of Net Assets reports the County's financial and capital resources, including infrastructure, as well as the County's long-term obligations. The difference between the County's assets and liabilities is its net assets. Net assets represent the resources that the County has available for use in providing services after its debts are settled. These resources may not be readily available or spendable and consequently are classified into the following categories of net assets in the government-wide financial statements:

- Net Assets Invested in Capital Assets, Net of Related Debt – this figure is derived by subtracting the outstanding debts incurred by the County to buy or construct capital assets from the net figure for capital assets shown in the Statement of Net Assets. Capital assets cannot readily be sold and converted to cash.
- Restricted Net Assets – 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. Examples of restricted net assets 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, 2002, the County reported restricted net assets of \$826,217 restricted for the following purposes:

Restricted for:	Amount
Capital projects	\$ 210,688
Debt service	33,785
Legally segregated special revenue funds restricted for grants and other purposes	515,448
Self-insurance programs	66,214
Regional park endowment	82
	\$ 826,217

Restricted Net Assets for business-type activities amounted to \$282,432, and are restricted for the use of Airport and Waste Management activities.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd)

B. Government-Wide and Fund Financial Statements (Cont'd)

- *Unrestricted Net Assets* – these resources of the County that can be used for any purpose, though they may not necessarily be liquid. In addition, assets in a restricted fund that exceed the amounts required to be restricted by external parties or enabling legislation are reported as unrestricted net assets.

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 interest revenue not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The County reports the following major governmental funds:

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

Roads – This fund accounts for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway users' taxes and are partially supplemented by federal funds, and charges for engineering services provided.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Government-Wide and Fund Financial Statements (Cont'd)

Public Library – 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; federal and state aid and charges for services provide the remaining revenue.

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

Refunding and Recovery Certificates of Participation (COPs) and Debt Prepayment – This fund accounts for the debt service transactions handled by the trustee bank for the Orange County Refunding Recovery Bonds and the 1996 Recovery Certificates of Participation and the prepayment of the County's outstanding bonds.

Harbors, Beaches, and Parks – This fund accounts for the development and maintenance of County harbors and tidelands and related aquatic recreational facilities, the acquisition, operation and maintenance of County beaches, inland regional park recreation 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.

The County reports the following major proprietary enterprise funds:

Airport – This 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, fixed base operations, leased property, and aircraft tiedown facilities.

Waste Management – This fund accounts for the operation, expansion, and closing of existing landfills and the opening of new landfills. Monies are collected through gate tipping fees, which users pay based primarily on tonnage.

Additionally, the County reports the following fund types:

Internal Service Funds – These proprietary 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. Internal service funds are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level.

Fiduciary Fund Types – 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, investment trust or educational investment trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. 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 have been eliminated from the government-wide Statement of Activities.

Proprietary Funds

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.

Under GASB Statement No. 20, the County has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 when preparing the proprietary fund financial statements.

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

Enterprise funds are used to report activities that provide services for which fees are charged to external users. The County has two enterprise funds: John Wayne Airport Enterprise Fund and Integrated Waste Management Enterprise Fund. The principal operating revenues of the John Wayne Airport and Waste Management enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, and aircraft tiedown fees and (2) disposal fees charged to users of the waste disposal sites, 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

Governmental Funds

Governmental funds are used to report all governmental activities which are not primarily self-funded by fees or charges to external users or other funds, and which 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 increments (i.e., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues that are accrued include real and personal property taxes, sales taxes, motor vehicle in-lieu taxes, 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 collectibility 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 received later than 60 days, then a receivable is recorded, along with deferred revenue. Once the grant reimbursement is received, revenue and cash are recorded, while the receivable and deferred revenue are eliminated. For the year ended June 30, 2002, the County reported deferred revenue of \$160,909 in the governmental funds' Balance Sheet, of which \$41,856 represents the amount of intergovernmental revenues unavailable for revenue recognition.

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 are recorded in the year in which 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. Reservations of fund balance are created for encumbrances outstanding at year-end.

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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

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 on a separate page which explains the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

D. Budget Adoption and Revision

No later than October 2nd of each year, after conducting public hearings concerning the proposed budget, the County Board of Supervisors 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 "Final Budget," which specifies all accounts established within each fund-agency unit (a collection of account numbers necessary to fund a certain division or set of goal-related activities).

Each year the original budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of increased appropriations for new reimbursement contracts. Department heads are authorized to approve appropriation transfers within a fund-agency unit. However, appropriation transfers between fund-agency units require approval of the Board of Supervisors. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund-agency unit level.

Annual budgets are adopted on a basis consistent with GAAP. 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 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 amounts of inflows and outflows during the year for budget-to-actual comparisons.

As described in more detail under Note 1.B, the major special revenue funds reported by the County are:

- *Roads*
- *Public Library*
- *Tobacco Settlement*
- *Refunding & Recovery COPs and Debt Prepayment*
- *Flood Control District*
- *Harbors, Beaches, and Parks*

Budgetary comparison information for nonmajor governmental funds is presented in the "Budgetary Comparison Schedules" of the supplemental information section.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Investments

The County maintains two cash and investment pools: the Orange County Investment Pool (the County Pool) and the Orange County Educational Investment Pool (the Educational Pool), the latter of which is utilized exclusively by the County's public school and community college districts. These pools are maintained for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities.

The County has stated required investments at fair value in the accompanying financial statements. Management contracts with an outside service to provide pricing for the fair value of investments in the portfolio. Securities listed or traded on a national securities exchange are valued at the last quoted sales price. Short-term money market instruments are valued using an average of closing prices and rate data commonly known as matrix pricing.

Other than proceeds held by the County, proceeds from County-issued bonds are held by trustees and are invested in medium-term notes, mutual funds, investment agreements, repurchase agreements, and U.S. Government securities. Short-term investments are reported at cost, while long-term investments, such as U.S. Government securities, are stated at fair value. The trustee uses an independent service to value those securities, which are stated at fair value.

The County has not provided or obtained any legally binding guarantees during the period to support the value of participants' shares in the pools.

The pools value participants' shares using an amortized cost basis. Specifically, the pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values. At June 30, 2002, there is no material difference between pool participants' shares valued on an amortized cost basis compared to fair value.

F. Inventory of Materials and Supplies

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost determined on a moving weighted average basis. Applicable fund balances are reserved 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.

G. Prepaid Costs

The County pays for certain types of services in advance such as insurance premiums and rents and recognizes these costs in the period during which services are provided. Applicable fund balances are reserved for amounts equal to the prepaid cost at the end of the fiscal year in the governmental funds. At June 30, 2002, the County has prepaid costs of \$200,602 in the Statement of Net Assets, which primarily consist of the County's Investment Account with the Orange County Employee Retirement System (OCERS) for future pension costs of \$195,053. See Note 19 for additional information regarding this pension investment asset for the County's Retirement Plans.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Land and Improvements Held for Resale

These assets, held by the County's Development Agency, are valued at the lower of cost or estimated net realizable value.

I. Capital Assets

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

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

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

Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives of structures and improvements, equipment, and infrastructure are as follows:

Structures and Improvements	10 to 50 years
Equipment	3 to 20 years
Infrastructure	
Flood Channels	50 to 99 years
Roads	10 to 20 years
Bridges	50 years
Trails	20 years
Traffic Signals	15 years
Harbors	20 to 50 years

Maintenance and repairs 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.

J. Self-Insurance

The County is self-insured for general and automobile liability and workers' compensation claims, and for claims arising under the group health indemnified plans, group salary continuance plan, group dental plan, and unemployment benefits program. Liabilities are accrued based upon estimated future amounts to be paid on known claims and incurred but not reported claims, including allocated loss adjustment expenses. (See Note 16).

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. 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 determined by applying approved property tax rates to the assessed value of properties as established by the County Assessor, in the case of locally assessed property, and as established by the State Board of Equalization, in the case of State-assessed public utility unitary and operating non-unitary property. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

The County collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, community redevelopment agencies, independently governed special districts (not governed by the County Board of Supervisors), special districts governed by the County Board of Supervisors, 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 into the property tax unapportioned funds, where they are held in the unapportioned taxes liability accounts pending periodic apportionment to the taxing agencies. The property tax unapportioned funds are included in the agency funds category of the County's fund financial statements because the unapportioned taxes are collected and held on behalf of other governmental agencies.

Property tax collections are apportioned 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 public utility); and cash flow needs of the tax-receiving agencies.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within the fiscal year and are distributed 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 is allocated to 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 revenue. The County uses the direct write-off method to recognize uncollectible taxes receivable.

The County also records collections of disputed property taxes, such as those paid for properties for which the values have been appealed to the local Assessment Appeals Boards, within the unapportioned tax liability accounts in the property tax unapportioned funds. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or distributed to the tax-receiving agencies. As of June 30, 2002, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.94 percent of the combined beginning secured and unsecured property tax roll charge.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Property Taxes (Cont'd)

The following are significant dates on the property tax calendar:

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

L. Compensated Employee Absences

Compensated employee absences (vacation, compensatory 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.

M. Statement of Cash Flows

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

N. Indirect Costs

County indirect costs are allocated to benefiting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2001-02 County Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Federal Office of Management and Budget Circular A-87. The County has elected to allocate indirect costs to agencies within the General Fund that were not billed in FY 2001-02 in order to match the reimbursement of indirect costs recorded as program revenues to the same function that the related expense is recorded in.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the financial statements:

In June 1999, GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," effective for periods beginning after June 15, 2001. This Statement establishes new financial reporting requirements for state and local governments throughout the United States that will enhance the usefulness of governmental financial reports to the readers, improve the government's accountability in financial reporting and provide additional information for decision-making. One of the significant changes is that all capital assets, including infrastructure, will be reported within the basic financial statements, along with depreciation expense and accumulated depreciation. The County has elected to use the traditional approach of reporting depreciation of infrastructure assets rather than the modified approach.

Under the new reporting model, the County's basic financial statements present the following components in addition to the fund financial statements and other required supplemental information:

- Management's Discussion and Analysis (MD&A) - GASB Statement No. 34 requires that the basic financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "MD&A" and that MD&A contains certain minimum content requirements. The discussion should be based upon facts, decisions or conditions known to management as of the auditor's report date.
- Government-Wide Financial Statements - These financial statements report the financial position and operating results of the County as an economic entity, excluding the information about fiduciary activities, and are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

The County has adopted the provisions of GASB Statement No. 34 and accordingly, has recorded its capital and other long-term assets and liabilities in the Statement of Net Assets and reported the revenues and costs of providing services to the County's citizenry under the accrual basis of accounting in the Statement of Activities. In addition, the County has restated net assets as of July 1, 2001 to reflect the cumulative effect of applying this statement (See Note 2).

In March 2000, GASB issued Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*" to be implemented simultaneously with Statement No. 34. The purpose of this interpretation is to clarify the standards for modified accrual recognition of certain liabilities and expenditures. There was no material effect on the financial statements as a result of implementing this new interpretation.

In June 2001, GASB issued Statement No. 37, "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an Amendment of GASB Statements No. 21 and No. 34.*" This statement is effective for the same periods as GASB Statement No. 34 and either clarifies or modifies certain provisions in GASB Statements No. 21 "*Accounting for Escheat Property*" and No. 34. It establishes guidance in the following areas: reporting of escheat property, topics for discussion in the MD&A, program revenue classifications, the minimum level of detail required for business-type activities in the Statement of Activities, etc. The County considered the effects of this statement when adopting the provisions of GASB Statement No. 34, as previously described.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Effects of New Pronouncements (Cont'd)

Also in June 2001, GASB issued Statement No. 38, "Certain Financial Statement Note Disclosures", which is effective for the same periods as GASB Statement No. 34. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Modifications to the note disclosures primarily focus on: a) revenue recognition policies; b) actions taken in response to significant violations of legal or contractual provisions; c) debt service requirements; d) lease obligations; e) short-term debt; and f) interfund balances. Accordingly, certain note disclosures have been revised or added to comply with the provisions of this statement.

In May 2002, GASB issued Statement No. 39, "Determining Whether Certain Organizations Are Component Units." This statement is effective for periods beginning after June 15, 2003. This statement amends GASB Statement No. 14 by providing additional guidance in determining whether certain organizations should be reported as component units. The County has early implemented these guidelines effective June 30, 2001. After careful evaluation of the new guidelines it was determined that the County has no additional component units to report.

P. 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.

Q. Consolidation of Governmental Funds' Balance Sheet Line Items in Statement of Net Assets

Several asset or liability line items in the Governmental Funds' Balance Sheet and the Proprietary Funds' Statement of Net Assets are combined into one line item in the Statement of Net Assets 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 Statement of Net Assets.

Statement of Net Assets Line Item	Corresponding Governmental and Proprietary Funds' Balance Sheet or Statement of Net Assets Line Item
Cash and Cash Equivalents	Pooled Cash/Investments; Pooled Cash/Investments – Closure Costs; Cash Equivalents/Specific Investments; and Imprest Cash funds
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee and Deposits In-Lieu of Cash
Receivables (net)	Accounts, Taxes, Interest/Dividends, Deposits, Notes and Loans Receivable; Allowance for Uncollectible Receivables; and Due from Other Governmental Agencies
Prepaid Costs	Prepaid Costs and Bond Issuance Costs
Capital Assets – Not Depreciated	Land and Construction in Progress
Capital Assets – Depreciable, Net of Accumulated Depreciation	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; and Infrastructure and Accumulated Depreciation

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

2. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 34 limits the use of fiduciary funds only to the reporting of assets that cannot be used to support the government's own programs. The change in the fiduciary fund structure resulted in the reclassification of several agency funds to the private-purpose trust funds. The impact of the reclassification resulted in an increase to the beginning fiduciary fund net assets of \$33,776.

GASB Statement No. 34 also requires governments to (1) report all long-term assets, including capital assets, and liabilities in the statement of net assets and (2) report all revenues and the cost of providing services under the accrual basis of accounting in the Statement of Activities. These adjustments are summarized in the following table and reflected in Net Assets Beginning of the Year for governmental activities in the Statement of Activities.

*Net Assets:

Fund Balances at June 30, 2001, as previously reported	\$ 1,716,455
GASB Statement No. 34 adjustments:	
Addition of:	
Internal Service Funds net assets	56,916
Net capital assets	1,711,938
Other long-term assets	241,552
Prior years' uncollectible property tax revenue	10,652
Long-term liabilities	<u>(1,577,022)</u>
Net assets at July 1, 2001	<u>\$ 2,160,491</u>

3. DEFICIT EQUITY BALANCES OF INDIVIDUAL FUNDS

The following fund has deficit net assets:

<u>Internal Service Fund</u>	<u>Deficit</u>
Workers' Compensation	<u>\$ 52,661</u>

The deficit in the Workers' Compensation Fund results from accrual of known losses and actuarially-projected Incurred But Not Reported claims (IBNR). Charges to County departments have not provided a sufficient cash flow to entirely fund the IBNR. The deficit has increased from the previous fiscal year due to increases in the costs of permanent disabilities and a trend of rising medical costs. The County anticipates increasing charges to departments over the next five years in order to achieve a higher funding level.

4. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$4,696,179 as of June 30, 2002. Each fund's portion of this total is reflected in the balance sheet accounts entitled "Pooled Cash/Investments, Cash Equivalents/Specific Investments, Imprest Cash Funds, Restricted Cash and Investments with Trustee, and Investments."

The Treasurer maintains the County Pool and the Educational Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. The Investment Policy Statement (IPS) establishes a Money Market Fund and an Extended Fund as components of the County Pool and Educational Pool (the Educational Pool does not participate in the Extended Fund). The maximum maturity of investments under the Money Market Fund is 13 months with a maximum weighted average of 90 days. The maximum maturity of the Extended Fund is 3 years, with a maximum weighted average of 18 months.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Cont'd)

The primary investment objectives of the Treasurer's investment activities in order of priority are: protecting the safety of principal invested, meeting participants' liquidity needs, attaining a money market rate of return, and attempting to stabilize at a \$1 net asset value for the County Money Market Fund and the Educational Pool. These external investment pools contain deposits, repurchase agreements, and investments. 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 reported as a transfer to the recipient fund.

A. Deposits

Monies must be deposited in state or national banks, or state or federal savings and loan associations located within the State. The County is authorized to use demand accounts and certificates of deposit. Additionally, monies deposited at national banks are used for compensating balances. The Treasurer has established separate bank and investment custody accounts for the County's school participants.

Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial institution. The pledge to secure deposits is administered by the California Superintendent of Banks. Collateral is required for demand deposits at 110 percent of all deposits not covered by federal deposit insurance 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 percent is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County.

At June 30, 2002, the carrying amount of overdraft of the County's demand deposits was \$78,147 and the related bank balance was \$22,842, of which \$400 was insured by FDIC insurance with the remainder collateralized as described above. The County had \$180,834 in maturing securities the following business day to cover outstanding checks. In addition, the County had imprest cash funds in the amount of \$2,045, of which \$1,188 was insured by FDIC insurance, with the remainder collateralized as described above.

In addition, the County held a portion of its Restricted Cash and Investments with Trustee and non-pooled investments in the form of non-participating Bank Investment Contracts (BICs). These BICs are considered deposits with financial institutions and amount to \$13,081, of which \$1,511 is collateralized for non-pooled investment BICs and \$11,570 is uncollateralized for Restricted Cash and Investment BICs. The collateralized BICs and the uncollateralized BICs are FDIC insured for \$100 and \$100, respectively.

B. Investments

State statutes, Board of Supervisors' ordinances and resolutions, bond documents, covenants, trust agreements, and other contractual agreements govern the County's investment policies.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Cont'd)

B. Investments (Cont'd)

External Investment Pools

The County Treasurer sponsors two external investment pools; the County Pool (consisting of both the Money Market Fund and the Extended Fund) and the Educational Pool.

The County Treasurer has a written Investment Policy Statement (IPS) specifically for the separately managed County and Educational Investment Pools. The IPS requires the assets in the Pools to consist of the following investments and maximum permissible concentrations based on market value: U.S. Treasury instruments backed by the full faith and credit of the United States government (100%); obligations issued or guaranteed by agencies of the United States government (100%); commercial paper of a high rating (A1/P1/F1) as provided by at least two of the following nationally recognized rating agencies: Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch Ratings ("Fitch"), with further restrictions regarding issuer size and maturity (40%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or by a state-licensed branch of a foreign bank with at least one billion dollars in assets (30%); bankers' acceptances (40%); money market mutual funds (20%); State of California or municipal debt (10%); "AA" or better receivable-backed securities (10%); medium-term notes (30%); and repurchase agreements collateralized by securities at 102% of the cost adjusted no less frequently than weekly (50%). In addition, no investment may be purchased from an issuer that has been placed on credit watch – negative by any of the three nationally recognized rating agencies, or whose credit rating by any of the three nationally recognized rating agencies is less than the minimum rating required by the IPS for that class of security.

Repurchase agreements are limited to a three-month maturity and can only be entered into with entities prescribed in California Government Code Sections 53601 and 53635. The securities underlying the agreements must be delivered to the County's custodial banks. The County enters into written master repurchase agreements that outline obligations of both the County and the dealers, and also enters into written contracts with custodial institutions that outline the basic responsibilities of those institutions for securities underlying the repurchase agreements. These custodial contracts and the County's procedures for monitoring the securities are similar to those for collateral on deposits.

All permitted investments are required to comply in every respect with California Government Code Sections 53601 and 53635 (governing the investment of public funds) and other relevant California Government Code provisions.

The IPS expressly prohibits leverage, reverse repurchase agreements, and volatile structured notes or derivatives. Investments are marked to market on a daily basis for purposes of determining net asset value of the Fund. If the net asset value of the Money Market Fund for either the County or Educational Pool is less than \$.995 or greater than \$1.005, portfolio holdings may be sold as necessary to maintain the ratio between \$.995 and \$1.005. Under the IPS, no more than 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one money market mutual fund. All investments will be United States dollar denominated.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Cont'd)

B. Investments (Cont'd)

External Investment Pools (Cont'd)

The County Treasury Oversight Committee, established in December 1995, which consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools, and two public members, conducts treasury oversight. In addition, Fitch conducts a quarterly review of IPS compliance according to agreed-upon procedures. On October 5, 2001, Fitch reaffirmed the Pools' rating of "AAA/V1+." On August 6, 2002, Moody's Investor Service assigned credit ratings of Aaa and MR1 market risk ratings to the Orange County Investment Pool and Orange County Educational Investment Pool. The County and Educational Pools are not registered with the Securities and Exchange Commission.

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school districts are required by legal provisions to deposit their funds with the County Treasurer. The Educational Pool consists entirely of public school and community college districts and therefore includes 100 percent involuntary participants. At June 30, 2002, the County Pool includes approximately 3.10 percent external involuntary participant deposits for certain assessment districts and certain bond related funds for public school districts.

As of June 30, 2002, floating rate notes comprised less than 10.33% and 3.35% of the County Pool and Educational Pool, respectively. Interest received on floating rate notes will rise or fall as the underlying index rate rises or falls. The use of floating rate notes in the County and Educational Pools is such that they hedge the portfolios against the risk of increasing interest rates, which reduces the fair value of the portfolio.

Condensed Financial Statements

In lieu of separately issued financial statements for the external pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2002:

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<u>Statement of Net Assets</u>			
Net assets held for pool participants	<u>\$ 2,349,894</u>	<u>\$ 1,758,582</u>	<u>\$ 4,108,476</u>
Equity of internal pool participants	\$ 2,159,957	\$ --	\$ 2,159,957
Equity of external pool participants	189,937	1,758,582	1,948,519
Total Net Assets	<u>\$ 2,349,894</u>	<u>\$ 1,758,582</u>	<u>\$ 4,108,476</u>
<u>Statement of Changes in Net Assets</u>			
Net assets at July 1, 2001	\$ 2,184,907	\$ 1,385,917	\$ 3,570,824
Net change in investments by pool participants	164,987	372,665	537,652
Net Assets at June 30, 2002	<u>\$ 2,349,894</u>	<u>\$ 1,758,582</u>	<u>\$ 4,108,476</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Cont'd)

B. Investments (Cont'd)

Summary External Pool Financial Disclosures

Selected summary disclosures for each external pool as of June 30, 2002, are presented below:

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Days to Maturity
<u>County Pool</u>					
U.S. Government Agencies	\$ 691,077	\$ 689,493	Discount	07/05/02-01/11/05	456
Commercial Paper	634,492	637,313	Discount	07/01/02-11/06/02	35
Bankers' Acceptances	104,808	105,000	Discount	07/08/02-07/23/02	18
Medium-Term Notes	299,169	296,400	1.84-7.25%	11/15/02-02/01/05	207
Negotiable Certificates of Deposit	459,987	460,000	1.76-4.05%	07/11/02-10/10/02	52
Repurchase Agreements	60,000	60,000	2.03%	07/01/02	1
Money Market Mutual Funds	121,871	121,871	Variable	07/01/02	1
	<u>\$ 2,371,404</u>	<u>\$ 2,370,077</u>			<u>179</u>
<u>Educational Pool</u>					
U.S. Government Agencies	\$ 396,230	\$ 393,824	Discount	07/05/02-04/04/03	92
Commercial Paper	697,195	699,648	Discount	07/01/02-10/10/02	29
Bankers' Acceptances	49,841	50,000	Discount	07/10/02-09/18/02	34
Medium-Term Notes	126,621	124,235	1.94-6.7%	10/01/02-06/18/03	171
Negotiable Certificates of Deposit	332,014	332,000	1.76-2.12%	07/05/02-11/20/02	65
Repurchase Agreements	60,000	60,000	2.03%	07/01/02	1
Money Market Mutual Funds	129,118	129,118	Variable	07/01/02	1
	<u>\$ 1,791,019</u>	<u>\$ 1,788,825</u>			<u>57</u>

At June 30, 2002, the weighted average maturity of the County Pool was 179 days and the Educational Pool was 57 days. At the same date, the Net Asset Value (NAV) for both the County and Educational Pool was \$1.00. The average daily investment balance of the County Pool and the Educational Pool amounted to \$2.46 billion and \$1.39 billion with an average effective yield of 3.11% and 2.80%, respectively, for the year ended June 30, 2002.

Level of Custodial Risk

Investments are categorized below as prescribed by GASB Statement No. 3 to indicate the level of custodial credit risk assumed by the County at year-end. Category 1 includes investments that are insured or registered, or securities held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the County's name.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Cont'd)

B. Investments (Cont'd)

	LEVEL OF CUSTODIAL CREDIT RISK			Not Subject to Categorization	Fair Value
	Category				
	1	2	3		
<u>County Pool:</u>					
U.S. Government Agencies	\$ 691,077	\$ --	\$ --	\$ --	\$ 691,077
Commercial Paper	634,492	--	--	--	634,492
Bankers' Acceptances	104,808	--	--	--	104,808
Medium-Term Notes	299,169	--	--	--	299,169
Negotiable Certificates of Deposits	459,987	--	--	--	459,987
Repurchase Agreements	60,000	--	--	--	60,000
Money Market Mutual Funds	--	--	--	121,871	121,871
Total Investments in County Pool	2,249,533	--	--	121,871	2,371,404
<u>Educational Pool:</u>					
U.S. Government Agencies	396,230	--	--	--	396,230
Commercial Paper	697,195	--	--	--	697,195
Bankers' Acceptances	49,841	--	--	--	49,841
Medium-Term Notes	126,621	--	--	--	126,621
Negotiable Certificates of Deposits	332,014	--	--	--	332,014
Repurchase Agreements	60,000	--	--	--	60,000
Money Market Mutual Funds	--	--	--	129,118	129,118
Total Investment in Educational Pool	1,661,901	--	--	129,118	1,791,019
<u>Specific Investments:</u>					
U.S. Government Agencies	19,392	--	--	--	19,392
Commercial Paper	14,936	--	--	--	14,936
Repurchase Agreements	1,082	--	--	--	1,082
Money Market Mutual Funds	--	--	--	32,773	32,773
Total Specific Investments	35,410	--	--	32,773	68,183
<u>Investments with Trustees:</u>					
Medium-Term Notes	164,568	--	--	--	164,568
Repurchase Agreements	--	22,351	--	--	22,351
U.S. Government Securities	--	23,275	--	--	23,275
Mutual Funds	--	--	--	86,947	86,947
Guaranteed Investment Contracts	--	--	--	219,426	219,426
State Investment Pool (LAIF)	--	--	--	12,027	12,027
Total Investments with Trustees	164,568	45,626	--	318,400	528,594
Total Investments	\$ 4,111,412	\$ 45,626	\$ --	\$ 602,162	\$ 4,759,200

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

4. DEPOSITS AND INVESTMENTS (Cont'd)

B. Investments (Cont'd)

As of June 30, 2002, the County's investment in LAIF is \$12,027. The total amount invested statewide by all public agencies in LAIF at that date is \$47,719,552. Of that amount, 96.91% is invested in non-derivative financial products and 3.09% in structured notes and asset-backed securities. The Local Investment Advisory Board ("The Board") has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the County's position in the pool.

RECONCILIATION OF DEPOSITS AND INVESTMENTS

<u>Total Cash and Investments – Note 4:</u>	<u>Total</u>
Total Investments	\$ 4,759,200
Total Deposits - Carrying Amount Overdraft	(78,147)
Bank Investment Contracts	13,081
Imprest Cash Funds	<u>2,045</u>
Total Cash and Investments – Note 4	<u>\$ 4,696,179</u>

<u>Total Cash and Investments – Financial Statements</u>	<u>Total Governmental Funds</u>	<u>Total Proprietary Funds</u>	<u>Total Fiduciary Funds</u>	<u>Discretely Presented Component Unit</u>	<u>Total</u>
Pooled Cash/Investments	\$ 1,343,385	\$ 393,668	\$ 2,119,366	\$ 121,594	\$ 3,978,013
Pooled Cash/Investments – Closure Costs	--	120,913	--	--	120,913
Cash Equivalents/Specific Investments	--	23,730	--	--	23,730
Imprest Cash Funds	1,815	104	110	15	2,044
Restricted Cash and Investments with Trustee	467,064	49,952 *	28,497	--	545,513
Investments	<u>10,219</u>	<u>14,404</u>	<u>1,343</u>	<u>--</u>	<u>25,966</u>
Total Cash and Investments	<u>\$ 1,822,483</u>	<u>\$ 602,771</u>	<u>\$ 2,149,316</u>	<u>\$ 121,609</u>	<u>\$ 4,696,179</u>

* The total Proprietary Funds balance for Restricted Cash and Investments with Trustee does not include \$33,141 for Deposit In-Lieu of Cash.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

5. CHANGES IN CAPITAL ASSETS

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

	Primary Government			Balance June 30, 2002
	Balance July 1, 2001 ^(a)	Increases	Decreases	
Governmental activities ^(b) :				
Capital assets not depreciated:				
Land	\$ 453,916	\$ 20,275	\$ --	\$ 474,191
Construction in progress	379,159	87,557	(100,112)	366,604
Total capital assets not being depreciated	<u>833,075</u>	<u>107,832</u>	<u>(100,112)</u>	<u>840,795</u>
Capital assets, depreciable				
Structures and Improvements	678,487	77,807	--	756,294
Equipment	262,069	32,593	--	294,662
Infrastructure:				
Flood Channels	432,017	7,210	--	439,227
Roads	72,642	14,060	--	86,702
Bridges	60,064	1,036	--	61,100
Trails	32,365	--	--	32,365
Traffic signals	9,933	--	--	9,933
Harbors and Beaches	28,089	--	--	28,089
Capital assets, depreciable	<u>1,575,666</u>	<u>132,706</u>	<u>--</u>	<u>1,708,372</u>
Less accumulated depreciation for:				
Structures and Improvements	(266,289)	(22,630)	--	(288,919)
Equipment	(176,130)	(24,161)	--	(200,291)
Infrastructure:				
Flood Channels	(153,011)	(4,043)	--	(157,054)
Roads	(43,735)	(2,738)	--	(46,473)
Bridges	(13,079)	(1,196)	--	(14,275)
Trails	(16,174)	(1,157)	--	(17,331)
Traffic signals	(4,424)	(622)	--	(5,046)
Harbors and Beaches	(16,680)	(709)	--	(17,389)
Total accumulated depreciation	<u>(689,522)</u>	<u>(57,256)</u>	<u>--</u>	<u>(746,778)</u>
Capital assets, depreciable (net)	<u>886,144</u>	<u>75,450</u>	<u>--</u>	<u>961,594</u>
Governmental activities total capital assets, net	<u>\$1,719,219</u>	<u>\$183,282</u>	<u>\$(100,112)</u>	<u>\$ 1,802,389</u>

(a) The County contracted a capital-asset consulting firm to perform a complete inventory and valuation of the County's land, structures and improvements, and infrastructure assets as of June 30, 2001. When actual historical data was unavailable, the consulting firm used standard costing techniques to estimate the historical costs of land, structures and improvements and infrastructure assets and deflated these costs back to the year of acquisition. As a result of this, the County restated the value for land and structures and improvements as of July 1, 2001, and added infrastructure assets (including land associated with infrastructure assets) to the County's capital asset system in conformance with the capital asset reporting requirements of GASB Statement No. 34. The impact of these changes increased the County's governmental capital assets by \$734,345.

(b) For government-wide reporting purposes, the capital assets of the Internal Service Funds are consolidated within governmental activities.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

5. CHANGES IN CAPITAL ASSETS (Cont'd)

	Primary Government			Balance June 30, 2002
	Balance July 1, 2001	Increases	Decreases	
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 32,748	\$ --	\$ --	\$ 32,748
Construction in progress	31,193	118	--	31,311
Total capital assets not being depreciated	63,941	118	--	64,059
Capital assets, depreciable				
Structures and Improvements	299,963	1,967	--	301,930
Equipment	36,356	9,803	--	46,159
Infrastructure	269,574	16,319	--	285,893
Capital assets, depreciable	605,893	28,089	--	633,982
Less accumulated depreciation for:				
Structures and Improvements	(101,701)	(11,662)	--	(113,363)
Equipment	(20,660)	(3,007)	1,646	(22,021)
Infrastructure	(85,222)	(14,183)	--	(99,405)
Total accumulated depreciation	(207,583)	(28,852)	1,646	(234,789)
Capital assets, depreciable (net)	398,310	(763)	1,646	399,193
Business-type activities total capital assets, net	<u>\$ 462,251</u>	<u>\$ (645)</u>	<u>\$ 1,646</u>	<u>\$ 463,252</u>

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

Governmental activities:	
General Government	\$ 5,533
Public Protection	22,132
Public Ways and Facilities	7,740
Health and Sanitation	1,386
Public Assistance	3,494
Education	1,037
Recreation and Cultural Services	6,537
Internal Service Funds' depreciation expense allocated to various functions	6,025
Total governmental activities depreciation expense ^(c)	<u>53,884</u>
Business-type activities:	
Airport	17,634
Waste Management	11,218
Total business-type activities depreciation expense	<u>28,852</u>
Total depreciation expense	<u>\$ 82,736</u>

(c) Total governmental activities depreciation expense differs from the increases in Accumulated Depreciation for governmental activities by \$3,372 as a result of the transfer of equipment and its related accumulated depreciation to the Internal Service Funds from the General Fund.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

6. RECEIVABLES

The different components of receivables reported in the Statement of Net Assets for Governmental and Business-type Activities as of June 30, 2002 are as follows:

Receivables	Accounts	Taxes	Interest ^(b)	Deposits	Notes	Loans	Due From Other Governmental Agencies	Less: Allowance for Doubtful Accounts	Total Receivables, Net
Governmental Activities ^(a)									
General Fund	\$ 30,534	\$ 5,036	\$ 3,050	\$ 2,686	\$ --	\$ 46	\$ 154,660	\$ (323)	\$ 195,689
Roads	207	--	618	--	--	--	3,004	(18)	3,811
Public Library	177	465	44	--	--	--	--	(1)	685
Tobacco Settlement	--	--	22	--	--	--	--	--	22
Refunding & Recovery COPs & Debt Repayment	--	--	167	--	--	--	--	--	167
Flood Control District	2,491	868	931	1,368	--	20	7,133	--	12,811
Harbors, Beaches, and Parks	1,674	643	201	--	--	1,195	381	--	4,094
Other Governmental Funds	1,303	24,449	1,278	2,784	17,323	350	13,348	(1)	60,834
Total	36,386	31,461	6,311	6,838	17,323	1,611	178,526	(343)	278,113
Less: amount not to be paid within the next fiscal year	(1,580)	--	--	(5,391)	(16,871)	(1,215)	--	--	(25,057)
Total receivables due within the next fiscal year	\$ 34,809	\$31,461	\$ 6,311	\$ 1,447	\$ 452	\$ 396	\$ 178,526	\$ (343)	\$ 253,056

(a) The balances for governmental activities include Internal Service Funds, which are consolidated to the General Fund for government-wide reporting.

Business-type Activities

Airport	\$ 3,112	\$ --	\$ 232	\$ --	\$ --	\$ --	\$ 2,311	\$ (5)	\$ 5,650
Waste Management	10,094	--	2,140	--	--	--	452	(13)	12,673
Total	13,206	--	2,372	--	--	--	2,763	(18)	18,323
Less: amount not to be paid within the next fiscal year	(12)	--	--	--	--	--	--	--	(12)
Total receivables due within the next fiscal year	\$ 13,194	\$ --	\$ 2,372	\$ --	\$ --	\$ --	\$ 2,763	\$ (18)	\$ 18,311

(b) Interest Receivable balances differ from the amounts reflected in the fund financial statements due to the reclassification of the receivable "Due to Other Funds" for interest accrued in governmental and enterprise funds to "Interest Receivable" to reflect the nature of the receivable from the Unapportioned Interest Agency Fund.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

6. RECEIVABLES (Cont'd)

The \$1,580 of accounts receivable for governmental activities that are not expected to be received within the next fiscal year consist primarily of two components in the General Fund. \$649 relates to an annual general deferral repayment from the Yorba Linda Community Redevelopment Agency and \$373 relates to reimbursements due from the State of California. Another \$173 is due from MCI (currently going through bankruptcy) and the other \$385 is for various invoices and non-sufficient funds checks that remain on the books due to statute of limitation constraints.

The \$5,391 of deposits receivable for governmental activities that are not expected to be received within the next fiscal year consist primarily of money given to John Wayne Airport for the Santa Ana Heights Acoustical Insulation Program for \$2,589. In addition, there is a \$997 deposit due from the State of California for the Carbon Creek Channel and \$1,434 represents various cash advances and service contracts. The other \$371 is comprised of miscellaneous deposits.

The \$16,871 of notes receivable for governmental activities that are not expected to be received within the next fiscal year primarily consist of \$12,125 for loans to build affordable, low-income housing. Another \$1,949 is for construction of senior citizen housing, \$1,422 is for a County-owned Promissory Note and the other \$1,375 is for other various sales and loans.

The \$1,215 of loans receivable for governmental activities that are not expected to be received within the next fiscal year are for advances to three Dana Point Harbor Operators for use as working capital for their operating expenses. These advances are equal to three months of their anticipated operating expenses.

The \$12 of accounts receivable for business-type activities that are not expected to be received within the next fiscal year are for accounts that have already been through courts and collection but cannot be written off due to the statute of limitations.

7. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2002 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$	792
	Public Library		10
	Tobacco Settlement		14,887
	Refunding & Recovery COPs and Debt Prepayment		1,324
	Flood Control District		11,052
	Harbors, Beaches, and Parks		1,732
	Other Governmental Funds		18,222
	Internal Service Funds		607
	Fiduciary Funds		2,691
	Airport		1,227
	Waste Management		2,917
		<u>\$</u>	<u>55,461</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

7. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Roads	General Fund	\$ 246	
	Flood Control District	368	
	Harbors, Beaches, and Parks	80	
	Other Governmental Funds	23	
	Internal Service Funds	4	
	Fiduciary Funds	618	
	Airport	<u>16</u>	1,355
Public Library	General Fund	15	
	Internal Service Funds	5	
	Fiduciary Funds	<u>44</u>	64
Tobacco Settlement	General Fund	2,729	
	Fiduciary Funds	<u>22</u>	2,751
Refunding and Recovery COPs and Debt Prepayment	Fiduciary Funds		167
Flood Control District	General Fund	635	
	Roads	297	
	Harbors, Beaches, and Parks	190	
	Other Governmental Funds	450	
	Internal Service Funds	4	
	Fiduciary Funds	931	
	Airport	<u>1</u>	2,508
Harbors, Beaches, and Parks	General Fund	367	
	Roads	61	
	Flood Control District	86	
	Other Governmental Funds	21	
	Internal Service Funds	12	
	Fiduciary Funds	201	
	Airport	<u>7</u>	755
Other Governmental Funds	General Fund	14,842	
	Roads	146	
	Flood Control District	64	
	Harbors, Beaches, and Parks	18	
	Other Governmental Funds	3,350	
	Internal Service Funds	22	
	Fiduciary Funds	1,278	
	Airport	<u>460</u>	20,180
Airport	General Fund	172	
	Internal Service Funds	4	
	Fiduciary Funds	<u>236</u>	412
Waste Management	General Fund	11	
	Roads	2	
	Flood Control District	23	
	Harbors, Beaches, and Parks	3	
	Internal Service Funds	4	
	Fiduciary Funds	<u>2,139</u>	2,182

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

7. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Internal Service Funds	General Fund	\$	1,302
	Roads		8
	Public Library		34
	Flood Control District		2
	Harbors, Beaches, and Parks		13
	Other Governmental Funds		13
	Internal Service Funds		9
	Fiduciary Funds		793
	Airport		5
	Waste Management		<u>21</u>
Fiduciary Funds	Other Governmental Funds		129
	Internal Service Funds		47
	Fiduciary Funds		<u>1,178</u>
	Total		<u>\$ 89,389</u>

Due From/To Primary Government and Component Unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>		<u>Amount</u>
Component Unit – Orange County Children and Families Commission	Fiduciary Funds – Agency Fund	\$	734
	Primary Government – General Fund		
	Component Unit – Orange County Children and Families Commission	\$	235

The receivable balance from the Fiduciary funds of \$11,032 payable to the various Governmental funds, Proprietary funds, Fiduciary funds and Component Unit consists primarily of \$10,463 in accrued interest recorded in the Unapportioned Interest Fiduciary fund at year-end. The majority of the remaining interfund balances resulted from the time lag between the time that (1) goods and services are provided, (2) the recording of those transactions in the accounting system, and (3) payments between the funds are made.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

8. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from noncancelable operating leases with synthetic fuels corporations. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2002, approximates \$67,750.

The County's General Fund, Flood Control District Fund, Harbors, Beaches, and Parks Fund, Airport Enterprise Fund and Waste Management Enterprise Fund lease real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2002 are as follows:

	General Fund	Flood Control District	Harbors, Beaches, and Parks	Airport	Waste Management
FY 2002-2003	\$ 161	\$ 297	\$ 6,740	\$ 28,556	\$ 560
FY 2003-2004	161	299	6,784	28,530	560
FY 2004-2005	113	215	6,846	25,575	368
FY 2005-2006	95	162	5,874	12,643	175
FY 2006-2007	95	160	5,692	912	175
	<u>625</u>	<u>1,133</u>	<u>31,936</u>	<u>96,216</u>	<u>1,838</u>
FY 2007-2012	119	700	25,480	4,077	875
FY 2012-2017	--	369	23,510	1350	875
FY 2017-2022	--	60	22,867	--	700
FY 2022-2027	--	60	22,360	--	--
FY 2027-2032	--	60	20,645	--	--
FY 2032-2037	--	60	19,056	--	--
FY 2037-2042	--	60	6,840	--	--
FY 2042-2047	--	60	10	--	--
FY 2047-2052	--	12	--	--	--
	<u>119</u>	<u>1,441</u>	<u>140,768</u>	<u>5,427</u>	<u>2,450</u>
Total future minimum rentals	<u>\$ 744</u>	<u>\$ 2,574</u>	<u>\$ 172,704</u>	<u>\$ 101,643</u>	<u>\$ 4,288</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$7 (General Fund), \$46 (Flood Control District), \$8,781 (Harbors, Beaches, and Parks) \$19,173 (Airport) and \$33 (Waste Management) for the year ended June 30, 2002.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>		
<u>Governmental Funds</u>			
General Fund	Tobacco Settlement	\$ 10	
	Refunding and Recovery COPs and Debt Prepayment	79,082	
	Other Governmental Funds	29,869	
	Internal Service Funds	<u>1,780</u>	\$ 110,741
Tobacco Settlement	General Fund	23,275	
	Refunding and Recovery COPs and Debt Prepayment	409	
	Other Governmental Funds	<u>3,180</u>	26,864
Refunding and Recovery COPs and Debt Prepayment	General Fund	1,320	
	Other Governmental Funds	<u>7,865</u>	9,185
Flood Control District	General Fund		9,621
Harbors, Beaches, and Parks	Other Governmental Funds		385
Other Governmental Funds	General Fund	42,377	
	Roads	5,388	
	Public Library	2,517	
	Refunding and Recovery COPs and Debt Prepayment	185,645	
	Flood Control District	156,361	
	Harbors, Beaches, and Parks	3,265	
	Other Governmental Funds	<u>54,487</u>	<u>450,040</u>
Total Governmental Funds			<u>\$ 606,836</u>
<u>Proprietary Funds</u>			
Airport	Other Governmental Funds	\$ 6,810	
Waste Management Enterprise Funds	General Fund	<u>12,796</u>	\$ 19,606
Internal Service Funds	General Fund		<u>207</u>
Total Proprietary Funds			<u>\$ 19,813</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

9. INTERFUND TRANSFERS (Cont'd)

Interfund transfers reflect a flow of assets between funds and component units of the primary government without equivalent flows 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) to transfer Measure H Tobacco Settlement revenues, Available Cash Distribution and Public Safety Sales Tax Excess Revenues in compliance with the specific statutory requirements or Bankruptcy Recovery Plan, and (3) to transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board of Supervisors. The details of the significant, routine transfers are outlined below:

Routine Transfers

- A total of \$115,557 was transferred out from the General Fund (\$88,511), the Refunding and Recovery COPs and Debt Prepayment Fund (\$7,866), and Other Governmental Funds (\$19,180) to the debt service funds in connection with debt service payments of the various County debt covenants.
- Of the \$23,275 transferred from the Tobacco Settlement Fund to the General Fund, \$22,359 was to finance various health care programs and \$720 was transferred for public protection programs. The remaining \$196 transferred to the General Fund was associated with interest.
- \$12,926 was transferred from the governmental funds to finance various programs. Of that amount, \$9,621 was transferred to the Watershed Management program from the Flood Control District and \$3,305 was transferred to the Local Redevelopment Authority from the General Fund.
- \$12,796 in net proceeds and interest earnings from the Importation of Out-of-County Waste Program earned by Waste Management during the current fiscal year was transferred to the General Fund for Recovery COP Lease Financing as part of the Bankruptcy Recovery Plan.
- \$11,945 was transferred from the Other Governmental Funds for the reimbursement of various County programs. \$5,382 was transferred to the Road Fund for road improvement projects and the remaining \$6,563 was transferred to the General Fund as follows:
 - \$1,700 for reimbursement of services provided to the Trial Courts by the County
 - \$1,427 for continuing projects involving the Americans with Disabilities Act
 - \$1,036 to fund positions for the Supplemental Law Enforcement Services program
 - \$1,200 for Social Service Agency programs.
 - \$1,200 for the Sheriff's Department programs
- \$11,537 was transferred from the General Fund to the County Public Safety Sales Tax Excess Revenue fund according to budget requirements. In addition, a transfer of \$4,248 was made from the Public Safety Sales Tax Excess Revenue fund for District Attorney operations.
- \$9,825 was transferred in connection with the bankruptcy litigation settlement. Of that amount, \$4,029 was transferred from the General Fund to the funds responsible for distribution to claimants. Another \$2,442 was transferred from the Litigation Reserve to the General Fund for distribution according to the bankruptcy court order. Lastly, \$3,354 in excess funds from Other Governmental Funds was transferred to the General Fund.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

9. INTERFUND TRANSFERS (Cont'd)

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

- \$346,847 of the total \$450,040 transfers from Other Governmental Funds consist primarily of \$2,294 to Harbors, Beaches, and Parks, \$2,547 to the Public Library, \$156,361 to the Flood Control District and \$185,645 to the Refunding and Recovery COPs and Debt Prepayment Funds to reclassify the beginning fund balances of similar-purpose funds consolidated with these major funds.
- \$33,321 was transferred to establish a new fund for the Theo Lacy Branch Jail expansion project. Of that amount, \$3,062 was transferred from the Tobacco Settlement Fund, and the remaining \$30,259 was transferred from the Other Governmental Funds.
- \$13,176 was transferred from Other Governmental Funds to the General Fund for Sheriff-Coroner improvement projects.
- \$1,168 was transferred to the General Fund when the Restricted Refinancing Proceeds fund was closed.

10. LONG-TERM OBLIGATIONS

General Obligation Bonds Payable

The amount of bonded indebtedness the County can incur is limited by law to 1.25 percent of the last equalized assessment property tax roll. At June 30, 2002, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$3,112,082.

Bankruptcy Recovery

Background

On December 6, 1994, the County filed for protection under Chapter 9 of the United States Bankruptcy Code as a result of losses arising out of the County investment pool (the "Pool"). The liquidation of the Pool's portfolio resulted in the realization of an investment loss of approximately \$1,600,000. This loss was recorded on the County's books and records for FY 1994-1995 with approximately \$600,000 allocable (on a pro rata basis) to the County's accounts, and substantially all of the remainder allocable to accounts of non-County Pool participants, such as cities, school districts and special districts.

In response to the bankruptcy, the County prepared a comprehensive recovery plan, which incorporated budget cuts, administrative reorganization, a settlement agreement with Pool participants, and various methods to raise funds. The County obtained State legislation (the "Recovery Statutes") to provide for certain monies received from the State that would have otherwise been allocated to other County funds and other governmental agencies, to be deposited to the County's General Fund.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Bankruptcy Recovery (Cont'd)

The recovery plan provides that the legislatively redirected revenues from the Recovery Statutes, or other County monies in an equivalent amount, together with certain other County revenues will be used to satisfy the principal and interest payments on the Recovery Certificates of Participation (the "Recovery COPs"). The Recovery COPs and Refunding Recovery Bonds (the "Recovery Bonds") represent obligations of the County, payable from the General Fund. The enacted Recovery Statutes provide the Recovery COP holders with statutory liens on the County's motor vehicle license fees and certain sales tax revenues, and further permitted the County to elect to have the amount of these fees and revenues necessary to pay each installment of principal and interest on this borrowing intercepted by the State Controller and paid directly to the trustee of the Recovery COPs. Recent State legislation has reduced the amount of motor vehicle license fees paid by owners of automobiles in the State. The State has made up the difference in motor vehicle license fees collected under reduced rates and the fees that would have been collected under the old fee formula, with monies from the State general fund.

Since FY 1996-97, redirected and intercepted revenues have been sufficient to pay debt service on the Recovery COPs and to pay the annual amount of \$800 plus interest due on Option B Pool Participant warrants. At the beginning of this fiscal year, the remaining balance for Option B Pool Participants was \$4,000; that amount has been reduced by the required annual amount of \$800, so that the remaining balance at the end of this fiscal year is \$3,200.

Revenue Bonds Payable and Certificates of Participation Pertaining to Bankruptcy Obligations

Refunding Recovery Bonds, Series 1995A

In June 1995, the County issued \$278,790 of 1995 Refunding Recovery Bonds (the "Recovery Bonds"). The Recovery Bonds are a General Fund obligation of the County and are being paid from motor vehicle license fees intercepted from the State Controller, to the extent there are sufficient fees available for debt service. These motor vehicle license fees, if not used to pay debt service, would otherwise be received by the County General Fund. The Recovery Bonds were issued to refund obligations of the County in partial satisfaction of claims of certain Investment Pool participants pursuant to the Comprehensive Settlement Agreement between the County and such participants. In June 1998, the County spent \$31,335 from its Debt Repayment Reserve to purchase defeasance securities, which were placed in escrow to legally defease a portion of the Recovery Bonds. As of June 30, 2002, \$25,145 of this amount had been paid, leaving an outstanding balance of \$6,190. The outstanding principal balance of these bonds as of June 30, 2002 was \$247,455.

Recovery Certificates of Participation, Series 1996A

In June 1996, the County issued \$760,800 in the aggregate principal amount of its 1996 Recovery Certificates of Participation, Series A (Recovery COPs). Proceeds of the Recovery COPs were applied to (1) provide funds for the payment of the claims of the holders of the County's 1994-95 Taxable Notes and 1994-95 Tax and Revenue Anticipation Notes (Series A and Series B), whose maturities were extended to June 30, 1996, and the payment of certain other claims and uses approved by the Bankruptcy Court, (2) refund \$124,700 of outstanding COPs executed and delivered on behalf of the County, (3) fund a reserve account for the Recovery COPs and two months of capitalized interest, and (4) pay costs associated with the delivery of the Recovery COPs. The Recovery COPs are general obligations of the County, secured by certain statutory liens and payable from an intercept of motor vehicle license fees and certain sales taxes, to the extent there are sufficient license fees and sales tax funds available for debt service. These motor vehicle license fees and sales taxes, if not used to pay debt service, would otherwise be received by the County General Fund. As of June 30, 2002, the outstanding principal balance of the Recovery COPs was \$657,770.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements

State Building Revenue Bonds, 1971

In 1971, the Orange County Civic Center Authority issued \$4,600 State Building Revenue Bonds. The State Building Revenue Bonds were secured by "Revenues" defined as (a) all rental and other income received by the Authority as lessor under the Santa Ana Civic Center State Building Lease, (b) all rental and other income derived by the Authority from the use and operation of the project, (c) damage awards, if any, under a construction contract and (d) interest or other income derived from funds other than the Construction Fund. In accordance with the State Building Lease, monthly rental payments were made by the State of California. The final rental payment was made by the State of California on December 1, 2001, and all of the bonds have been retired.

Refunding Certificates of Participation (Civic Center Parking Facilities Project)

In December 1987, 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 1991 with the \$33,579 Refunding COPs (Civic Center Parking Facilities Project). The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation. At June 30, 2002, the outstanding principal amount of the Refunding COPs was \$16,164.

Tax Allocation Revenue Bonds, Series 1992A and 2001 (Neighborhood Development and Preservation Project)

In June 1992, the Orange County Financing Authority issued its \$28,082 1992 Tax Allocation Revenue Bonds, Series A (Neighborhood Development and Preservation Project) ("NDAPP Bonds"). The proceeds of the NDAPP Bonds were loaned to the Orange County Development Agency ("OCDA") for use in connection with OCDA's Neighborhood Development and Preservation Project ("NDAPP Project"). Debt service on the NDAPP Bonds is secured by a pledge of the property tax increments which OCDA receives from property within the NDAPP Project. On July 11, 2001, OCDA issued its \$26,160 Tax Allocation Refunding Bonds (Neighborhood Development and Preservation Project) Series 2001 ("NDAPP Refunding Bonds"). A substantial portion of the NDAPP Refunding Bonds proceeds and certain other monies were used to defease \$26,140 of the \$27,072 outstanding NDAPP Bonds. Following issuance of the NDAPP Refunding Bonds, \$932 (par amount) of the NDAPP Capital Appreciation Bonds remained outstanding. As of June 30, 2002, the outstanding principal amount of the current interest NDAPP Bonds was \$932, and the accreted interest on the capital appreciation NDAPP bonds was \$111 for the year then ended.

Refunding Certificates of Participation, 1992 and Lease Revenue Refunding Bonds, Series 2002 (Juvenile Justice Center Facility)

In April 1989, COPs in the principal amount of \$89,150 were delivered to finance the acquisition, construction and installation of a project, which includes a courthouse, intake facility, administration facility and two parking facilities. In 1992, the \$102,735 Refunding Certificates of Participation (Juvenile Justice Center Facility) were delivered. On May 1, 2002, the Refunding COPs were currently refunded with the \$80,285 Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002. The Refunding Bonds are secured by lease payments made by the County to the Orange County Public Financing Authority. As of June 30, 2002, the outstanding principal amount of the Bonds was \$80,285.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements (Cont'd)

Orange County Public Facilities Corporation Revenue Bonds (Master Lease Programs)

The County issued a Master Lease Equipment Obligation on February 1, 1993. This obligation is secured by base rental payments on the acquired equipment. As of June 30, 2002, the outstanding equipment obligation was \$3,885.

Tax Allocation Revenue Bonds, 1993 (Santa Ana Heights Project Area)

In August 1993, OCDA issued \$57,965 Santa Ana Heights Project Area, 1993 Tax Allocation Revenue Bonds ("SAHP Bonds"). The SAHP Bonds are secured by property tax increment revenues received by OCDA attributable to the Santa Ana Heights Project Area. As of June 30, 2002, the outstanding principal amount of SAHP Bonds was \$50,730.

Taxable Pension Obligation Bonds, Series 1994A, 1996A, and 1997A

In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994A in the aggregate principal amount of \$209,840 and Series 1994B in the aggregate principal amount of \$110,200 (Series 1994 Pension Bonds). The Series 1994 Pension Bonds were issued to refund the County's obligation under a debenture issued in favor of the Orange County Employees' Retirement System (OCERS) to fund the County's unfunded actuarial accrued liability to OCERS. The Series 1994 A and B Pension Bonds were partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds Series 1996A and Series 1997A (together with the Series 1994 Pension Bonds, the "Pension Obligation Bonds"). As of June 30, 2002, the outstanding principal amount of the Series 1994, 1996A and 1997A Pension Bonds were \$9,000, \$64,652 and \$60,960, respectively.

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

Teeter Plan Revenue Bonds, Series 1995A through E

In June 1995, the Orange County Special Financing Authority issued \$155,000 in taxable (1995 Series A - \$32,400) and tax-exempt (1995 Series B through E - \$122,600) Teeter Plan Revenue Bonds (Teeter Bonds). The Teeter Bonds are limited obligations of the Authority payable solely from revenues consisting primarily of delinquent tax payments to be made by taxpayers under the County Teeter Plan program, to be received by the Authority, the County and a trustee. The outstanding principal balance of the Teeter Bonds as of June 30, 2002 was \$124,425.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements (Cont'd)

1997 Certificates of Participation (Superior Court Integrated Court Management System Program)

In July 1997, the County issued \$7,830 of COPs to finance the Superior Court Integrated Court Management System Program. The proceeds were used to refinance certain computer equipment originally purchased by the County pursuant to an Equipment Lease Purchase Agreement, dated April 9, 1996, and to finance the acquisition and installation of certain other computer equipment. Debt service payments are made by the County and reimbursed by the Superior Court. On August 1, 2001, the final COPs payment was made.

Lease Revenue Bonds, Series 2001 (Telecommunications Equipment Project)

In April 2001, the Orange County Public Financing Authority issued \$10,330 Lease Revenue Bonds, Series 2001 (Telecommunications Equipment Project), to (1) finance the acquisition and installation of certain telecommunications equipment for general government purposes, (2) fund a debt service reserve fund, (3) pay capitalized interest on bonds, and (4) pay costs related to the issuance of bonds. The Bonds are limited obligations of the Authority payable solely from base rental payments to be made by the County pursuant to an Equipment Lease, and other amounts held by the Trustee in the funds established under the Indenture. As of June 30, 2002, the outstanding principal amount of the Lease Revenue Bonds was \$10,330.

Airport Revenue Refunding Bonds, Series 1993 and 1997

In July 1987, the County issued \$242,440 of Airport Revenue Bonds, Series 1987 to finance the construction of new facilities at John Wayne Airport. In October 1990, the County issued \$6,420 of COPs to finance the acquisition of loading bridges and baggage handling facilities (these certificates were defeased in July 1996). In July 1993, the County issued \$79,755 of revenue bonds to partially refund the 1987 Bonds. In April 1997, the County completed a forward refunding of the majority of outstanding 1987 Bonds. The principal amount of the refunding was \$135,050. On July 1, 1997, the County called and redeemed the remaining 1987 Bonds, not otherwise refunded or redeemed, in the amount of \$28,410. The outstanding principal amount of Airport Revenue Bonds as of June 30, 2002 was \$174,749. The Airport Bonds are secured by a pledge of net revenues of the Airport Enterprise Fund.

Waste Management System Refunding Revenue Bonds, Series 1997

In November 1997, the Orange County Public Financing Authority issued \$77,300 Waste Management System Refunding Revenue Bonds, Series 1997, in order to refund the County of Orange, California, 1988 COPs. The Waste Management System Bonds are secured by a pledge of (1) the net operating revenues; (2) all money, securities and funds in the Waste Management Enterprise Fund that are required to be held or set aside therein for any purpose other than the payment of operating expenses pursuant to the terms of the sublease, but excluding any such money, securities and funds in the (i) closure account or any other fund or account required pursuant to state or federal law to be held in trust, (ii) environmental account in an amount not exceeding \$50,000, (iii) post-closure reserve account, or (iv) that were borrowed or received to pay capital costs and excluding any deposits or net incremental solid waste system revenues or any deposits that are required to be made in the rebate account; and (3) to the extent permitted by and in accordance with the procedures established under any applicable law, any rights of the County under any approvals, licenses and permits relating to the System. The outstanding principal balance of these bonds as of June 30, 2002, was \$64,737.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements (Cont'd)

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, 2002, \$37,290 of legally defeased debt remains outstanding.

Fiscal Year 2001-02 Debt Obligation Activity

During FY 2001-02, the following events concerning County debt obligations took place:

Teeter Plan Revenue Bond Remarketing

\$800 of the Series A Bonds were retired in October 2001, reducing the outstanding 1995 Series Bonds from \$125,225 to \$124,425.

The \$34,000 Series E Bonds underwent a mandatory tender on November 1, 2001, and were remarketed and converted from fixed rate bonds at 6.35% to variable rate bonds. After the conversion, interest rates, determined on a weekly basis, have ranged from 1.00% to 4.05% payable monthly, and currently, \$124,425, is being remarketed weekly.

Tax Allocation Refunding Bonds, Series 2001 (Neighborhood Development and Preservation)

On July 11, 2001, the OCDA issued \$26,160 Tax Allocation Refunding Bonds (Neighborhood Development and Preservation Project) Series 2001, at a premium of \$327 to (1) prepay a portion of the loan made to the Agency pursuant to a loan agreement, dated as of June 1, 1992, among the Agency, the Orange County Financing Authority and the trustee and thereby refund a portion, in the amount of \$26,140 of the Orange County Financing Authority 1992 Tax Allocation Revenue Bonds, Series A (Neighborhood Development and Preservation Project), and (2) pay the cost of issuing the bonds. The bonds are special obligations of the Agency and are payable exclusively from tax revenues for the Neighborhood Development and Preservation Project Area and from amounts on deposit in certain funds and accounts established under the indenture. The bonds are payable from tax revenues on a parity with the portion of the 1992 bonds which will remain outstanding. As of June 30, 2002, the outstanding principal amount of the Tax Allocation Refunding Bonds was \$26,487.

Lease Revenue Refunding Bonds, Series 2002 (Juvenile Justice Center Facility)

In May 2002, the Orange County Public Financing Authority issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds Series 2002, in the principal amount of \$80,285 with a premium of \$3,164. The Lease Revenue Refunding Bonds were issued to (1) redeem the outstanding Refunding Certificates of Participation (Juvenile Justice Center Facility), (2) finance the acquisition of certain software and computer equipment for general governmental purposes of the County, and (3) pay costs related to the issuance of the bonds, including bond insurance premiums. The bonds are limited obligations of the Authority payable solely from base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2002, between the Authority and the County (the "Lessee"), and other amounts held by the trustee in the funds and accounts established under the Indenture (other than the Rebate fund), except otherwise provided in the indenture. As of June 30, 2002, the outstanding principal amount of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 was \$83,449.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2002 were as follows:

Description	Balance July 1, 2001	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2002	Due Within One Year
County of Orange					
<u>Refunding Recovery Bonds - Series 1995 A:</u>					
Date Issued: June 1, 1995					
Interest Rate: 5.0% to 6.50%					
Original Amount: \$278,790					
Maturing in installments through June 1, 2015.	\$ 247,455	\$ --	\$ --	\$ 247,455	\$ 7,345
<u>Orange County Public Facilities Corporation</u>					
<u>Recovery Certificates of Participation</u>					
<u>Series 1996 A:</u>					
Date Issued: June 12, 1996					
Interest Rate: 4.20% to 6.00%					
Original Amount: \$760,800					
Maturing in installments through July 1, 2026.	680,975	--	(23,205)	657,770	24,320
<u>Orange County Civic Center Authority</u>					
<u>1971 State Building Revenue Bonds:</u>					
Date Issued: December 1, 1971					
Interest Rate: 5.00% to 5.40%					
Original Amount: \$4,600					
Maturing in installments through December 1, 2001.	330	--	(330)	--	--
<u>Orange County Public Facilities</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 prior December 22, 1987 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					
Maturing in installments through December 1, 2018.	18,239	--	(2,075)	16,164	2,205

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Description	Balance July 1, 2001	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2002	Due Within One Year
<u>Orange County Financing Authority</u>					
<u>Tax Allocation Revenue Bonds - Series 1992</u>					
<u>A (Neighborhood Development and Preservation Project):</u>					
Date Issued: June 1, 1992 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB)					
To refund prior June 1, 1989 Orange County Development Agency bond issue					
Interest Rate: CIB - 4.50% to 6.50%					
Original Amount: CIB - \$27,150					
Original Amount: CAB - \$932					
Maturing in installments through September 1, 2022.					
	27,072	--	(26,140)	932	--
<u>Orange County Development Agency</u>					
<u>Tax Allocation Refunding Bonds - Series 2001 (Neighborhood Development and Preservation Project):</u>					
Date Issued: July 11, 2001 - Current Interest Rate Bonds (CIB)					
To refund prior June 1, 1992 Orange County Development Agency bond issue					
Interest Rate: CIB - 4.00% to 5.50%					
Original Amount: \$26,160					
Maturing in installments through September 1, 2022.					
	--	26,487	--	26,487	765
Deferred Amount on Refunding (1992 Orange County Development Agency Revenue Bonds)					
	--	(1,152)	--	(1,152)	--
<u>Orange County Public Facilities Corporation</u>					
<u>Refunding Certificates of Participation (Juvenile Justice Center Facility):</u>					
Date Issued: June 1, 1992 and delivered July 7, 1992 to refund prior April 1, 1989 bond issue					
Interest Rate: 3.20% to 6.375%					
Original Amount: \$102,735					
Maturing in installments through June 1, 2019.					
	83,845	--	(83,845)	--	--
<u>Orange County Public Financing Authority</u>					
<u>Revenue Refunding Bonds, Series 2002 (Juvenile Justice Center Facility Lease):</u>					
Date Issued: May 1, 2002, and delivered April 24, 2002, to refund the outstanding Refunding Certificates of Participation.					
Interest Rate: 3.00% to 5.375%					
Original Amount: \$80,285					
Maturing in installments through June 1, 2019.					
	--	83,449	--	83,449	3,240
Deferred Amount on Refunding (1992 Orange County Public Financing Authority Revenue Bonds)					
	--	(3,682)	--	(3,682)	--

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Description	Balance July 1, 2001	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2002	Due Within One Year
<u>Orange County Public Facilities Corporation</u>					
<u>Revenue Bonds Master Lease Program:</u>					
Date Issued: February 1, 1993					
Interest Rate: 3.40% to 5.50%					
Original Amount: \$24,780					
Maturing in installments through September 1, 2003.					
	4,875	--	(990)	3,885	2,280
<u>Orange County Development Agency</u>					
<u>Santa Ana Heights Project Area 1993</u>					
<u>Tax Allocation Revenue Bonds:</u>					
Date Issued: August 1, 1993 to refund prior September 1, 1987 bond issue					
Interest Rate: 3.25% to 6.20%					
Original Amount: \$57,965					
Maturing in installments through September 1, 2023.					
	51,835	--	(1,105)	50,730	1,170
<u>County of Orange</u>					
<u>Taxable Pension</u>					
<u>Obligation Bonds - Series 1994 A:</u>					
Date Issued: September 1, 1994					
Interest Rate: 6.15% to 8.21%					
Original Amount: \$209,840					
Maturing in installments through September 1, 2004.					
	9,000	--	--	9,000	--
<u>County of Orange</u>					
<u>Taxable Refunding Pension Obligation Bonds</u>					
<u>Series 1996 A:</u>					
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CIB)					
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)					
To refund prior September 1, 1994 bond issue.					
Interest Rate: CIB - 7.47% to 7.72%					
Interest Rate: CAB - 8.09% to 8.26%					
Original Amount: CIB - \$81,680					
Original Amount: CAB - \$40,000					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).					
	64,652	--	--	64,652	--

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Description	Balance July 1, 2001	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2002	Due Within One Year
<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 a substantial portion of the September 1, 1994 bond issue.					
Interest Rate: CIB - 5.71% to 7.36%					
Original Amount: CIB - \$71,605					
Original Amount: CAB - \$65,318					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB).					
	61,210	--	(250)	60,960	13,840
<u>Orange County Special Financing Authority</u>					
<u>Teeter Plan Revenue Bonds</u>					
<u>Series A through E:</u>					
Date Issued: June 1, 1995					
Interest Rate: 1.0% to 4.05% (Series A, B, C, D, and E)					
Original Amount: \$155,000					
Maturing in installments through November 1, 2014.					
	125,225	--	(800)	124,425	--
<u>County of Orange</u>					
<u>Superior Court ICMS</u>					
<u>1997 Certificates of Participation:</u>					
Date Issued: July 30, 1997					
Interest Rate: 4.50% to 5.00%					
Original Amount: \$7,830					
Maturing in installments through August 1, 2001.					
	1,444	--	(1,444)	--	--
<u>Telecommunications Equipment Project</u>					
<u>Lease Revenue Bonds Series 2001:</u>					
Date Issued: April 1, 2001					
Interest Rate: 4.00%					
Original Amount: \$10,330					
Maturing in installments through December 15, 2008					
	10,330	--	--	10,330	1,310
Subtotal – Governmental funds	1,386,487	105,102	(140,184)	1,351,405	56,475

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Description	Balance July 1, 2001	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2002	Due Within One Year
<u>Enterprise Funds:</u>					
<u>Airport Revenue Refunding Bonds - Series 1993:</u>					
Date Issued: July 1, 1993 to refund \$68,440 of the 1987 Airport Revenue bond issue.					
Interest Rate: 3.00% to 5.50%					
Original Amount: \$79,755					
Maturing in installments through July 1, 2018.	68,341	117	(2,435)	66,023	2,595
Deferred Amount on Refunding (1993 Airport Revenue Bonds)	(8,033)	487	--	(7,546)	--
<u>Airport Revenue Refunding Bonds - Series 1997:</u>					
Date Issued: April 2, 1997 to refund \$131,490 of the 1987 Airport Revenue bond issue.					
Interest Rate: 5.00% to 6.00%					
Original Amount: \$135,050					
Maturing in installments through July 1, 2012.	116,267	(296)	(7,245)	108,726	7,765
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(4,621)	1,083	--	(3,538)	--
<u>Orange County Public Financing Authority</u>					
<u>Waste Management System Refunding</u>					
<u>Revenue Bonds – Series 1997:</u>					
Date Issued: November 18, 1997 to refund \$77,445 of the OCPFC 1988 Certificate of Participation (Solid Waste Management System)					
Interest Rate: 4.375% to 5.75%					
Original Amount: \$77,300					
Maturing in installments through December 1, 2013.	68,637	(170)	(3,730)	64,737	3,905
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(4,906)	564	--	(4,342)	--
Subtotal - Enterprise Funds	235,685	1,785	(13,410)	224,060	14,265
Total	\$ 1,622,172	\$ 122,957	\$ (153,594)	\$ 1,591,535	\$ 70,740

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Schedule of Long-Term Debt Service Requirements to Maturity

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

Fiscal Year(s) Ending June 30	Enterprise Funds		Governmental Funds		Total
	Principal	Interest	Principal	Interest	
2003	\$ 14,265	\$ 13,032	\$ 56,475	\$ 69,676	\$ 153,448
2004	14,870	12,301	55,070	66,070	148,311
2005	15,655	11,516	56,737	64,105	148,013
2006	16,505	10,667	64,898	67,303	159,373
2007	17,450	9,723	65,241	63,999	156,413
2008-2012	103,210	32,640	364,875	295,023	795,748
2013-2017	45,875	8,437	327,229	362,956	744,497
2018-2022	11,495	957	179,348	192,039	383,839
2023-2027	--	--	182,875	27,748	210,623
Total	239,325	99,273	1,352,748	1,208,919	2,900,265
Less: Deferred Amount on Refunding	(15,426)	--	(4,834)	--	(20,260)
Discount	(1,822)	--	--	--	(1,822)
Add: Premium	1,983	--	3,491	--	5,474
Principal Payable, net	<u>\$ 224,060</u>	<u>\$ 99,273</u>	<u>\$ 1,351,405</u>	<u>\$ 1,208,919</u>	<u>\$ 2,883,657</u>

Changes in Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2002 were as follows:

	Balance			Balance		Due Within
	July 1, 2001	Additions	Reductions	June 30, 2002	One Year	
Governmental Activities:						
Bonds and COPs Payable:						
Revenue bonds	\$ 219,667	\$ 106,445	\$ (29,365)	\$ 296,747	\$ 8,765	
Certificates of participation	784,503	--	(110,569)	673,934	26,525	
Pension obligation bonds	134,862	--	(250)	134,612	13,840	
Recovery bonds	247,455	--	--	247,455	7,345	
Add: Premium on Bonds Payable	--	3,491	--	3,491	--	
Less: Deferred Amount on Refunding	--	(4,834)	--	(4,834)	--	
Total Bonds and COPs Payable, net	<u>1,386,487</u>	<u>105,102</u>	<u>(140,184)</u>	<u>1,351,405</u>	<u>56,475</u>	
Interest Accretion on Capital Appreciation Bonds	41,683	9,822	--	51,505	--	

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

Changes in Long-Term Liabilities (Cont'd)

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Due Within One Year
Other long-term liabilities:					
Compensated employee absences payable	85,267	120,321	(90,195)	115,393	21,004
Arbitrage rebate payable	56	27	(35)	48	29
Pool participant claims	4,000	--	(800)	3,200	800
Capital lease obligations payable	60,236	2,148	(2,986)	59,398	8,215
Estimated litigation and claims	195	--	(195)	--	--
Total other long-term liabilities	<u>149,754</u>	<u>122,496</u>	<u>(94,211)</u>	<u>178,039</u>	<u>30,048</u>
Total Governmental Activities long-term liabilities	<u>\$ 1,577,924</u>	<u>\$ 237,420</u>	<u>\$ (234,395)</u>	<u>\$ 1,580,949</u>	<u>\$ 86,523</u>

Business-type Activities:

Bonds Payable:

Revenue bonds	\$ 253,245	\$ (349)	\$ (13,410)	\$ 239,486	\$ 14,265
Less deferred amount on refunding	<u>(17,560)</u>	<u>2,134</u>	<u>--</u>	<u>(15,426)</u>	<u>(1,770)</u>
Total Bonds Payable, net	<u>235,685</u>	<u>1,785</u>	<u>(13,410)</u>	<u>224,060</u>	<u>12,495</u>

Other long-term liabilities:

Compensated employee absences payable	2,019	3,089	(2,241)	2,867	340
Arbitrage rebate payable	177	68	--	245	245
Landfill site closure/postclosure liability	<u>166,667</u>	<u>7,516</u>	<u>(692)</u>	<u>173,491</u>	<u>5,209</u>
Total other long-term liabilities	<u>168,863</u>	<u>10,673</u>	<u>(2,933)</u>	<u>176,603</u>	<u>5,794</u>

Total Business-type Activities long-term liabilities

	<u>\$ 404,548</u>	<u>\$ 12,458</u>	<u>\$ (16,343)</u>	<u>\$ 400,663</u>	<u>\$ 18,289</u>
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Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2002 is \$115,393 compared with \$85,267 at June 30, 2001. The increased balance is attributable to several factors. The major portion of the increase is due to a change in the methodology for calculating sick leave. Improved technology allows access to more precise information for the purpose of calculating the Compensated Absences liability. This change in methodology accounts for approximately 64% of the increase of the liability from the previous year's balance. Furthermore, FY 2001-02 was the second year County employees were entitled to receive compensation resulting from the Performance Incentive Program, which was implemented throughout the County in FY 1999-00. Most of this amount will ultimately be paid from the General Fund. In addition, the number of County General employees rose by six percent. Finally, County staff received cost of living and/or pay adjustments conservatively estimated at four percent.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

10. LONG-TERM OBLIGATIONS (Cont'd)

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 holders 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 recorded as contributions and distributions within the Investment Pool Trust Fund.

Major capital outlay expenditures relating to these bonds are accounted for in the "Special Assessment Districts, Community Facilities Districts and Service Areas" Capital Projects Fund.

Special assessment district and community facilities district bonds outstanding as of June 30, 2002, amounted to \$660,534.

11. CONDUIT DEBT OBLIGATIONS

From 1980 through 2002 the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single family homes and the construction of multi-family units to benefit low and moderate income families.

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

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

As of June 30, 2002 there were 91 series of bonds outstanding, with an aggregate principal amount payable of \$1,244,988.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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12. LEASES

Commitments Under Operating Leases

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

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2003	\$ 10,233	\$ 27,578	\$ 37,811
2004	6,295	26,475	32,770
2005	4,627	21,429	26,056
2006	--	20,681	20,681
2007	--	18,006	18,006
2008-2012	--	54,400	54,400
2013-2017	--	248	248
Total	<u>\$ 21,155</u>	<u>\$ 168,817</u>	<u>\$ 189,972</u>

Total rent expenditures for operating leases incurred for FY 2001-02 was \$50,374.

Capital Leases

The following is a summary of property leased under capital leases:

Equipment	\$ 1,768
Less: Accumulated Depreciation	(292)
Structures and Improvements	74,721
Less: Accumulated Depreciation	(8,565)
Total	<u>\$ 67,632</u>

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2002:

<u>Fiscal Year Ending June 30</u>	
2003	\$ 8,215
2004	8,453
2005	8,247
2006	8,429
2007	8,479
2008-2012	35,313
2013-2017	16,408
2018-2022	10,220
Total minimum lease payments	<u>103,764</u>
Less: amount representing interest	<u>(44,366)</u>
Present value of net minimum lease payments	<u>\$ 59,398</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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13. RESERVED FUND BALANCES

In the fund financial statements, governmental funds and certain fiduciary funds report reservations of fund balance/net assets for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. In addition, the Board of Supervisors has established certain fund balance reserves for future purposes that are essentially designations of fund balances that represent tentative management plans that are subject to change. Fund balances at June 30, 2002 are reserved for the following purposes:

	General Fund	Roads	Public Library	Refunding & Recovery COPs and Debt Prepayment	Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Fiduciary Funds	Component Unit
Assets Not Available for Appropriations:									
Encumbrances	\$ 73,160	\$ 9,104	\$ 1,048	\$ --	\$ 23,289	\$ 7,429	\$ 74,827	\$ --	\$ --
Long-term Receivables	--	--	--	--	--	--	20,310	--	--
Imprest Cash Funds	1,642	--	53	--	--	--	121	--	--
Employee's Retirement	--	--	--	--	--	--	--	4,152	--
Inventory of Materials and Supplies	403	103	--	--	185	100	380	--	--
Prepaid Costs	1	--	--	--	--	--	161	--	--
Land and Improvements Held for Resale	--	--	--	--	--	--	1,951	--	--
Debt Service	--	--	--	142,411	--	--	324,477	--	--
Private Purpose Trust	--	--	--	--	--	--	--	58,203	--
External Investment Pools	--	--	--	--	--	--	--	1,948,519	--
Children's Programs	--	--	--	--	--	--	--	--	128,212
Fund Balances Reserved by Board of Supervisors for a Future Purpose:									
Equipment Replacement	--	10,144	--	--	8,625	1,758	--	--	--
Equipment Purchase (New)	--	--	--	--	--	--	891	--	--
Administration Fees	--	--	--	--	--	--	4,362	--	--
Loans	100	--	--	--	--	1,195	16,536	--	--
Land Purchase	--	--	--	--	12,841	70	--	--	--
Operations	--	--	--	--	--	--	50	--	--
Future Road Projects	--	61,421	--	--	--	--	--	--	--
Library Contingencies	--	--	2,017	--	--	--	--	--	--
Capital Projects	--	--	--	--	112,986	7,793	--	--	--
General Reserves	--	--	--	--	7,376	9,525	718	--	--
Cash Difference Funds	9	--	--	--	--	--	--	--	--
Contingencies	17,000	--	--	--	--	--	25	--	--
Revitalization Projects	--	--	--	--	--	5,862	--	--	--
Operations - Strategic Priorities	74,000	--	--	--	--	--	--	--	--
Maintenance & Construction - Strategic Priorities	35,100	--	--	--	--	--	--	--	--
Reserved Fund Balances/ Net Assets	\$ 201,415	\$ 80,772	\$ 3,118	\$ 142,411	\$ 165,302	\$ 33,732	\$ 444,809	\$ 2,010,874	\$ 128,212

General reserves represent a segregation of a portion of fund balance that is restricted to provide for cash flow financing. General reserves and interfund loans are used by the County to ensure that sufficient cash is available to meet operating needs each fiscal year until property tax revenues are received in December and April. General reserves are increased or decreased by the County Board of Supervisors as part of the annual budget process.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require the Integrated Waste Management Department (IWMD) to place final covers on its landfill sites when the landfills stop accepting waste and to perform certain 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, IWMD is required by GASB Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*", to report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date.

IWMD 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 – Inactive)
- Coyote Canyon (Newport Beach – Closed in 1995)

All active waste disposal sites, (FRB, Olinda Alpha and Prima Deshecha), are owned by IWMD. Santiago Canyon and Coyote Canyon are owned by the Irvine Company and are under lease. IWMD closed Coyote Canyon in 1995, as this site had reached its maximum capacity. Santiago Canyon is currently inactive and due for closure in FY 2002-03. The \$173,491 balance reported as the landfill closure and postclosure care liability at June 30, 2002 represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date (41.69%), less actual costs disbursed related to the closure of the Coyote Canyon landfill. IWMD will recognize the remaining estimated cost of closure and postclosure care of \$159,997 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal 2002 dollars. Actual costs may be higher due to inflation, changes in technology or changes in regulations. IWMD has landfill capacity permits to operate until the year 2040. With proposed expansion plans, however, IWMD intends to operate the landfills well beyond this date.

In compliance with the California Integrated Waste Management Board's regulations, IWMD has elected to make cash contributions to escrow funds to finance closure costs and has executed a pledge of future revenue agreement to assure that adequate funds are available to carry out postclosure care of all landfills. Accordingly, IWMD, on an annual basis, sets aside cash for the FRB, Olinda Alpha, Prima Deshecha, and Santiago Canyon landfills into escrow funds held by the County. As of June 30, 2002, \$120,913 has been set aside for these costs and is included in the accompanying Proprietary Funds' Statement of Net Assets as Pooled Cash/Investments – Closure Costs. The State mandated formula under which these contributions are computed will provide for the accumulation of sufficient cash to cover all estimated closure costs when each site reaches maximum capacity. IWMD expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional closure and postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

COUNTY OF ORANGE
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14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Cont'd)

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. Thus, the County has potential liability with respect to every landfill ever operated by the County. Compliance with these regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs could increase. IWMD has completed preliminary environmental site assessments for the former refuse disposal stations. On the basis of information currently available to management, IWMD management believes it has sufficient reserves for known and anticipated remediation costs.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2002, major contracts entered into for equipment, land, structures and improvements, and other commitments were as follows, listed by fund within governmental or business-type activities:

<u>Governmental Activities:</u>	<u>Project Title</u>	<u>Remaining Commitments</u>
General Fund		
	Central Justice Center – Phase II HVAC/ADA	
	-Heating, Ventilation, & Air-Conditioning Improvements to Comply with ADA	\$ 3,155
	Rancho Potrero (90 bed juvenile facility construction costs)	1,093
	Subtotal	4,248
Roads		
	Foothill Circulation Phasing Plan	
	-Alton-Irvine Blvd. to Foothill Transportation Corridor	2,233
	Subtotal	2,233
Flood Control District		
	Carbon Creek Channel/Coyote Creek Channel	1,045
	Fullerton Creek Channel – Knott to Beach	2,330
	Talbert Channel – Adams to Yorktown	4,214
	Huntington Beach Channel	
	Magnolia to Upstream Inland	6,993
	Subtotal	14,582
Other Governmental Funds		
	Rancho Potrero Leadership Academy	1,389
	Juvenile Hall – 60 bed expansion	1,729
	Renovate Barracks A through E	2,319
	Katella Training Facility – Firing Range, Classrooms, Parking Lot	4,990
	Coroner Training Facility	8,704
	Theo Lacy Jail Construction	28,463
	Sewer Improvements	2,811
	800 MHz Countywide Coordinated Communications System (law enforcement and public works communications system)	2,671
	Subtotal	53,076

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Cont'd)

<u>Business-type Activities:</u>	<u>Project Title</u>	<u>Remaining Commitments</u>
Airport – Operating		
	Fire Station #33 Remodel	3,781
	Terminal Fire Alarm System Rehabilitation	1,258
	Seismic Remediation – Parking Structure	2,564
	Terminal Security Modifications	2,433
	Geotechnical Testing and Inspection	1,491
	Subtotal	11,527
	Total	\$ 85,666

In addition, the County is involved in the Santa Ana River Mainstem Project and the pending segregation of the Prado Dam. This project is a major flood control project, which when fully completed is designed to prevent the type of devastating damage caused by large-scale flooding that can occur on the average of once every 190 years in the Santa Ana River flood plain. The projects involve a combination of flood channel widening and reinforcement, construction of a new dam, Seven Oaks Dam, and the raising of the existing Prado Dam. The U.S. Army Corps of Engineers (COE) has agreed to designate the Prado Dam feature of this project as a separate element with a separate implementation and cost share agreement between the COE and the Orange County Flood Control District (OCFCD) only. Upon approval of this new agreement, the OCFCD's funding requirement is guaranteed not to exceed 50% of the costs for the Prado Dam element.

The Federal Government, OCFCD, San Bernardino County Department of Transportation/Flood Control District, and Riverside County Flood Control & Water Conservation District are cost sharing this project based on the COE's estimated total cost of \$1,400,000. The OCFCD currently estimates its share of costs for the two projects to be \$413,000 for acquisition of real property rights for construction of the project, relocation of designated roads, bridges, trails, channels and utilities, and construction cost share contributions.

OCFCD's remaining share of this project's costs exceeds current available funds. However, the State Legislature has authorized this project, making it eligible for State Flood Control Subventions (reimbursement of 70% of OCFCD eligible expenditures). The OCFCD expects to be reimbursed for an estimated \$44,000 in budgeted and encumbered funds over the next 12 months, after audit by the State Department of Water Resources (DWR). Once a claim is reviewed and approved by the DWR, 90% of the eligible expenditures can be paid if funds are available, with the remaining 10% paid after an audit by the State Controller's Office. As of June 30, 2002, the OCFCD has spent an estimated \$212,000 on this project, with resulting claims for estimated reimbursement of \$146,000, which has already been submitted or will be submitted over the next 12 months. To date, the OCFCD has submitted \$134,000 in claims for reimbursement of eligible expenditures and received \$101,000 in reimbursements. The County does not accrue these claim amounts as revenue due to the uncertainty of DWR eligibility approval and due to the typical lengthy review and audit completion time periods after claim submission.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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16. SELF-INSURANCE

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

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention, and the Workers' Compensation Program, which 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 \$5,000. A commercial insurance policy also provides an additional \$5,000 in coverage.

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-insured up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Additional excess liability insurance provides up to an additional \$25,000 in liability coverage.

The County first began purchasing commercial insurance for the Workers' Compensation and the Property and Casualty Risk Programs in fiscal year 1997-98 to provide excess coverage. Since then, there have been no claims or settlements that exceeded the self-insurance threshold and accordingly, no claims or settlements have been paid by the excess insurance.

Independent actuarial studies are secured annually for the Workers' Compensation and Property and Casualty Risk ISFs. The unpaid claims liabilities included are based on the results of those annual actuarial studies and include amounts for loss adjustment expenses and claims incurred but not reported. Claim 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. Claims liabilities have been discounted at a rate of 3.25% to reflect anticipated future investment earnings.

All County departments and other governmental agencies authorized by the Board of Supervisors to participate in the Workers' Compensation ISF are charged for their pro rata share of costs based upon employee classification rates and claims experience. 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 and budgeted positions. The rate calculations for Workers' Compensation and Property and Casualty Risk ISFs are based upon guidelines established by the State Controllers' Office for cost plan allocations.

The County has also established the Unemployment Insurance ISF, which covers all employees, and the County Indemnity Health Plans and Self-Insured Benefits ISFs, which provide health, dental and salary continuance for a portion of its employees. The County pays through the State of California the standard unemployment benefits. The health insurance coverage is up to \$2,000 for each covered employee or dependent.

Revenues of the ISFs, when combined with current reserves and future contributions, are expected to provide adequate resources to meet liabilities as they come due.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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16. SELF-INSURANCE (Cont'd)

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	Health & Other Insurance Benefits	Total
Unpaid Claims, Beginning of FY 2000-01	\$ 43,332	\$ 28,192	\$ 11,295	\$ 82,819
Claims and Changes in Estimates	31,802	3,018	38,828	73,648
Claim Payments	(20,146)	(6,063)	(39,462)	(65,671)
Unpaid Claims, End of FY 2000-01	54,988	25,147	10,661	90,796
Claims and Changes in Estimates	37,131	4,537	45,929	87,597
Claim Payments	(20,414)	(8,231)	(45,009)	(73,654)
Unpaid Claims, End of FY 2001-02	\$ 71,705	\$ 21,453	\$ 11,581	\$ 104,739

There is an additional \$742 in the General Fund for claims payable to management employees for unreimbursed medical expenses, accidental death and dismemberment insurance, health insurance, professional organization fees and, in lieu of the aforementioned, actual cash disbursements.

The workers' compensation unpaid claims continue to increase due to increases in the costs of permanent disabilities and a trend in rising medical costs.

The overall increase in property and casualty risk claim payments this period reflects several costly settlements. However, the overall exposure of unpaid claims continues to decrease due to the ongoing impacts of city incorporations, which continue to reduce risk exposure. A change in procedure in all Orange County courts continues to reduce the number of lawsuits filed against the County. Cases are resolved promptly which usually results in a lower cost of settlement.

17. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS

There are lawsuits and claims pending against the County, which arise during the normal course of business. To the extent the outcome of such litigation would result in probable loss to the County, any such loss would be accrued in the accompanying financial statements. The lawsuits and claims discussed below represent issues in which the financial loss to the County has been determined to be a potential liability by County Counsel.

Sparkes Pit/Rains Refuse Disposal Station #18 – Regulatory Action. Located in the City of Anaheim, Sparkes Pit is a refuse disposal station formerly leased to and operated by the County from 1958 to 1960. The State Water Board and other regulatory agencies are seeking certain improvements to the site to mitigate possible groundwater contamination. In addition, the regulators may require the installation of a landfill gas system upgrade or installation of a new system. It is likely that the County will incur costs as a result of these regulatory actions. Although the ultimate costs, if any, are unknown, they may be significant. However, the County's Chapter 9 discharge may prove to be an absolute defense to this matter. The County is aggressively seeking to join other parties who participated in past operations of the site to share in the costs of mitigation. At this early stage of the regulatory actions, it is not possible to predict the outcome of these actions or the success of the County's attempt to join other responsible parties.

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17. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS (Cont'd)

Cannery Street Refuse Disposal Station #4. A park owned by the City of Huntington Beach is located on a site that was formerly used as a refuse disposal station operated by the County of Orange. Methane gas was detected on the property. The Local Enforcement Agency (LEA), the entity that regulates landfills, ordered the City and the Huntington Beach School District to develop a plan to control the landfill gas at the site. To the best of our knowledge, the City of Huntington Beach is in the process of implementing the landfill gas mitigation required by the LEA. The County cannot estimate the cost to control landfill gas. The costs, however, could be substantial. The City has notified the County that it is their position that the County is responsible for control of landfill gas from that site. The City, however, has not yet filed a claim. The County denies that it is responsible. It is possible, however, that the County could incur significant costs if the matter results in litigation.

La Habra Refuse Disposal Station # 11. A park owned by the City of La Habra is located on a site that was formerly leased and used as a refuse disposal station operated by the County of Orange. The site was operated by the City for refuse disposal prior to 1949 and by the County between 1949 and 1958. Methane gas was detected on the property. The LEA ordered the City to develop a plan to control the landfill gas at the site. To the best of our knowledge, the City of La Habra is in the process of implementing the landfill gas mitigation required by the LEA. The County cannot estimate the cost to control landfill gas. The costs, however, could be substantial. The City has notified the County that it is their position that the County is responsible for control of landfill gas from that site. The City, however, has not yet filed a claim. The County denies that it is responsible. It is possible, however, that the County could incur significant costs if the matter results in litigation.

San Joaquin Refuse Disposal Station # 13. The site, owned by the University of California at Irvine, was leased and operated by the County of Orange as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the Food and Drug Administration. Methane gas was detected on the property. The LEA is discussing with the owners follow-up actions to further evaluate landfill gas migration. The County cannot estimate the cost to control landfill gas. The costs, however, could be substantial. The University has notified the County that it is their position that the County is responsible for control of landfill gas from that site. The University, however, has not yet filed a claim. The County denies that it is responsible. It is possible, however, that the County could incur significant costs if the matter results in litigation.

Forster Refuse Disposal Station # 17. The site, located in the City of San Juan Capistrano, was formerly leased and operated as a refuse disposal station by the County of Orange from 1958 to 1976. The current owner is proposing a change in land use for the property and has notified the County that it is their position that the County is responsible for closure of the site. The County cannot estimate the cost to close the site. The costs, however, could be substantial. It is possible that the County could incur significant costs if the matter results in litigation. The owner has not initiated a claim.

Lane Road Refuse Disposal Station # 17. The site, located in the City of Irvine and owned by American Golf Corporation and others, was leased and operated as a refuse disposal station by the County of Orange from 1961 to 1964. The Santa Ana Regional Water Quality Control Board issued a Directive to the property owner to investigate the impact of landfill gas on groundwater. The owners have not yet presented a claim against the County, but IWMD understands they are retaining counsel to evaluate any rights they may have against the County or other parties. The County cannot estimate the cost for potential mitigation. The costs, however, could be substantial. It is possible that the County could incur significant costs if the matter results in litigation.

COUNTY OF ORANGE
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17. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS (Cont'd)

Barratt American Incorporated, et al., v. County of Orange. Plaintiffs claim that the County of Orange has overcharged on its building permit and inspection services since 1992. Specifically, they allege the County has collected fees in excess of the costs of providing the services in the amount of \$16,232 as of May 1999, of which Plaintiffs claim they paid \$42. Plaintiffs further claim the County improperly used some of the alleged surplus to pay for certain administrative expenses arising out of the Orange County Bankruptcy proceeding as well as for other services or charges in an amount not known to the Plaintiffs. Finally, Plaintiffs allege that since May 1999, the County has collected and will collect an estimated \$40,000 in fees pursuant to an alleged defective resolution.

The County denies the allegations and claims that the plaintiffs' claims are barred by statutes of limitations and other legal doctrines. A first phase of trial took place on October 30, 2000 for a court determination of certain County defenses including statutes of limitations. The court ruled that the existing County resolution is valid and that Plaintiffs' claims arising out of the former 1992 resolution are barred by applicable statutes of limitations.

A second phase of trial took place on August 17, 2001. The court ruled that Plaintiffs cannot challenge in state court an approximately \$2,500 allocation of investment pool loss approved by the United States Bankruptcy Court in the Orange County Bankruptcy proceeding. The court further ruled against the Plaintiffs on their claim that Office of Management and Budget Circular A-87 controls the County's discretion on how to disburse the surplus. The court also ruled against the Plaintiffs on their claim that the County cannot maintain a reserve balance in the surplus funds. Plaintiffs will pursue additional claims against the County in a final Phase 3 trial that has not yet been scheduled by the court.

On March 26, 2001, Plaintiffs filed a new complaint against the County claiming that the County overcharged and continues to overcharge on its building permits and inspection services since 1992. The new complaint is similar to the former complaint except that the new complaint challenges the enactment of a fee reduction ordinance enacted by the County early in 2001. The County denies the allegations and intends to defend itself in court against the complaint. The court has not yet set a trial date.

Potential Fire Station Claims. Certain fire stations previously owned by the County were transferred to the Orange County Fire Authority (OCFA) in connection with OCFA's formation in March 1995. As part of the joint powers agreement forming OCFA, of which the County is a party, the County agreed to indemnify OCFA for certain claims and liabilities arising prior to OCFA formation.

OCFA has contacted the County regarding potential claims against the County arising out of possible contamination from motor vehicle fuels that leaked from underground storage tank systems at nine fire stations. OCFA claims are currently tolled until February 2003 under tolling agreements with the County. In addition, an abutting landowner at one of the stations has threatened litigation alleging that contamination from leaking storage tank systems has migrated to the abutting property.

Although the County may face liability for contamination from underground storage tanks at fire stations, and the potential liability may be substantial, the County assessment of the potential claims is in the preliminary stages, making accurate quantification of potential liability, if any, difficult. With regard to the potential third-party claim, the County has not been provided sufficient access to the abutting property to permit an adequate assessment of the potential contamination.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
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17. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS (Cont'd)

County of Orange v. Assessment Appeals Board No. 3. The County brought an action against County Assessment Appeals Board No. 3 over a ruling that the County Assessor unlawfully assessed a parcel of residential property. The issue is whether reductions in assessed value under Proposition 8 are permanent or temporary. If temporary, the Assessor may increase the assessment for a given year by more than 2% from the previous year's assessment up to the previously established base year value under Proposition 13, plus an annual inflation factor of up to 2%. If permanent, the Proposition 8 reduction establishes a new base year value, which limits the Assessor's ability to increase such value in subsequent years to up to 2% annually.

The Assessor contends that Proposition 8 reductions in assessments are temporary and when the assessed value of the property returns to pre-reduction value, the Assessor must return to using the base year value, adjusted for inflation, even if the increased assessment exceeds 2% of the prior year's reduced value.

On December 27, 2001, the Superior Court ruled that the County Assessor used an illegal assessment method in recapturing Proposition 13 values. The County Board of Supervisors voted not to challenge the December 27, 2001 order, recommended that the Assessor stop using the recapture practice, directed appropriate County staff to notify affected taxpayers and authorized the Assessor, if he chooses to appeal, to hire his own counsel. None of the actions taken by the Board of Supervisors is intended to affect the Assessor's right to appeal. Subsequently, the Board of Supervisors authorized the Treasurer-Tax Collector and the Auditor-Controller to each hire counsel to advise them on matters related to this case. Class certification issues have not been decided (see note 21.G for subsequent event). Should the court's decision become final, the potential financial impact to the County and other public entities may be material. The Auditor-Controller estimates refund exposure to the County General Fund to exceed \$24,000, with a future reduction in tax base exceeding \$8,000 annually. Other County or County-related entities affected include: Orange County Library District, \$3,750 refunds, \$1,250 reduced tax base; Orange County Flood Control District, \$6,800 refunds, \$2,300 reduced tax base; Orange County Harbors, Beaches, and Parks, \$5,100 refunds, \$1,700 reduced tax base; and the Orange County Development Agency, \$2,073 refunds, \$714 reduced tax base.

Soli-Flo Partners, LP v. County of Orange. This litigation involves two lawsuits filed by a contractor, Soli-Flo Partners, against the County on two separate projects. The Court has consolidated the two lawsuits.

The first lawsuit arose out of a dredging project in the Newport Dunes Marina. Plaintiff claims it is owed the remainder of its contract balance, plus additional compensation for alleged delay to its work in the sum of approximately \$1,400. The County has cross-claimed against Plaintiff and its surety for the cost to complete Plaintiff's work and against Plaintiff for making false claims to the County.

The second lawsuit arose out of a dredging project in the Upper Newport Bay. Plaintiff claims it is owed compensation for its dredging work, together with additional compensation for alleged delay to its work in the sum of approximately \$1,400. The County filed an answer to the complaint, and a cross-complaint against the plaintiff for making false claims to the County.

The consolidated cases were set for trial on November 4, 2002. Shortly before the scheduled trial, Soli-Flo and the County reached a proposed settlement under which the County will make a payment to Soli-Flo of \$170, and Soli-Flo will dismiss both lawsuits. The proposed settlement is subject to the approval of the Board of Supervisors.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

17. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS (Cont'd)

Coordination Proceeding Special Title (Rule 1550 (B)) - Retirement Case. On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled *Ventura County Deputy Sheriffs Association vs. Board of Retirement of Ventura County Employees' Retirement Association*. On October 1, 1997, the decision of the California Supreme Court became final. The Supreme Court held that a county retirement system operating under the provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements, received by an employee, within the employee's "compensation earnable" and "final compensation" when calculating the employee's retirement benefit.

The court has ruled that disputed items of compensation are not includable in "compensation earnable" and that the *Ventura* decision should be applied retroactively. Questions relating to the finding of such retroactive application remain before the court. Judgment has not been entered. Should the County prevail on appeal, it could realize a reduction in retirement obligations of approximately \$175,000 or in excess of \$15,000 for 15 years. Should the employees prevail on appeal, future retirement costs to the County could increase significantly.

Representatives of the members of the County retirement system, individual plaintiffs, and the County are actively meeting in an effort to settle the case. The proposal under consideration will result in no new costs to the County and no additional costs to members. If successful, the settlement will be subject to objection by individual class members and will require final approval by the court. Refer to Note 21 for updated information.

18. OTHER CONTINGENCIES

In addition to the accrued liabilities for self-insurance claims incurred but not reported and other litigation and claims described previously, the County is also a defendant in numerous other lawsuits and claims arising from, among other things, breach of contract and tax disputes. Although the aggregate amount asserted in such lawsuits and claims is significant, County management believes that the ultimate outcome of these matters will not have a significant effect on the financial position or changes in financial position of the funds of the County.

As the owner and operator of a number of landfill sites, the County has potential exposure to environmental liability. IWMD may be required to perform corrective action for contaminate releases at any of its current or former refuse disposal stations, even if the County no longer owns the site. IWMD has completed preliminary environmental site assessments for the former refuse disposal stations. On the basis of information currently available to management, IWMD management believes it has sufficient reserves for known and anticipated remediation costs.

Grant monies received from federal and state sources are subject to audit by these agencies to determine whether expenditures are in compliance with the respective grant provisions. County management does not believe that a material liability will result from these audits. However, there is currently an outstanding issue that could have an impact on the County's Health Care Agency (HCA) related to federal funding.

HCA is currently under investigation for potential civil fraud and False Claims Act violations in connection with its Medicare billings for mental health services. The investigation is being directed by the United States Attorney's Office and the Office of the Inspector General (OIG) for the Department of Health and Human Services. The County believes that the investigation focuses on HCA's Medicare billing practices from 1990 through 1999, and that the investigators believe that HCA may have made numerous false claims on its Medicare bills during that period and may have submitted false claims for physician services that were not rendered by physicians.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

18. OTHER CONTINGENCIES (Cont'd)

During 2001, the County filed a motion to quash or limit the scope of an OIG subpoena on the basis that local government entities are immune from federal False Claims Act liability. Although the court determined that it did not have jurisdiction to reach the issue of federal False Claims Act liability, the Supreme Court may decide that issue next term. The County has negotiated to narrow the scope of the subpoena to a limited number of documents for the time period January 1, 1990 to December 31, 1999. HCA has substantially completed production of the subpoenaed documents.

No civil lawsuits have been filed by the federal government in connection with the investigation. Because no civil lawsuits have yet been filed in this investigation, and because the issues in this matter involve complex and disputed issues of fact and law, it is difficult to estimate any potential penalties and/or other costs that the County may be required to pay.

19. RETIREMENT PLANS

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 in 1945 under the County Employees' Retirement Law of 1937. The employees of several other smaller units of local government also participate in the system and account for approximately 17.62% of the active and retired system membership.

OCERS provides for retirement, death, disability, and cost-of-living benefits, and is subject to provisions of the County Employees' Retirement Law of 1937 and other applicable statutes. Members employed after September 20, 1979, are designated as Tier II members. Members employed prior to September 21, 1979, are designated as Tier I members; the establishment of Tier II resulted in a reduced allowance beginning at age 50. The retirement allowance is based upon the member's age at retirement, final compensation, and the total years of service under the System. If an employee terminates before rendering five years of service, the employee forfeits the right to receive benefits and is entitled to withdraw employee contributions made together with accumulated interest. If an employee terminates after five years of service, the employee may elect to leave the accumulated deposits in the retirement fund and be granted a deferred retirement allowance at the time the member would have been entitled to the allowance if service had been continued.

OCERS issues a stand-alone annual financial report each year ending December 31. OCERS annual financial report can be obtained by writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701 or by calling (714) 558-6200.

Funding Policy. In accordance with various Board of Supervisors' resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employees' contributions and with investment income, will fully provide for all employees' benefits by the time they retire. For FY 2001-02, employer's contributions, as a percentage of covered payrolls, were .96% for General members and 8.73% for Safety members.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Cont'd)

Orange County Employees Retirement System (OCERS) (Cont'd)

Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. For Tier I members, the normal rate of contribution is based on the member's age at entry in OCERS, and is calculated to provide an annual annuity equal to 1/200 of the member's "final compensation" for each year of service rendered at age 60 for General members, and at the age of 50 for Safety members. For Tier II General members, the rate of contribution is calculated to provide an annual annuity equal to 1/120 of the member's "final compensation" for each year of service rendered at age 60. Effective June 28, 2002, for Tier I and II Safety members, the rate of contribution is calculated to provide an annuity equal to 3/100 of the member's "final compensation" for each year of service rendered at age 50. Probation Services employees were granted safety retirement status by the Board of Supervisors as of June 28, 2002 and will earn benefits under a 2/100 at 50 formula for service after that date. On or after June 10, 2005, Probation Service employees will earn benefits under a 3/100 at 50 benefits formula.

The Pension Liability or Asset at transition was calculated in accordance with the provisions of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," and was zero at transition and the effective date.

According to OCERS most recent annual report, the County's 2001 contribution represented 76% of total contributions required of all participating entities.

In September 1994, pursuant to an agreement with OCERS, the County issued \$320,040 in taxable Pension Obligation Bonds (POB). The Bonds were issued to fund the prior service portion of the County's retirement obligations. OCERS established a County Investment Account (Investment Account) with the POB proceeds in the amount of \$318,300. For FY 1995-96 the County reached an agreement with OCERS to use the Investment Account to fund both the normal cost and Unfunded Actuarial Accrued Liability (UAAL) portions of the County's required employer retirement contributions. In 1996, the County and the Retirement Board entered into an agreement for the use of the Investment Account over a new funding period of 20 years. The agreement provides for the Investment Account to be used to fund the County's employer contribution in a decreasing percentage each year. The Investment Account allowed for 70% of the employer contribution to be paid from the Investment Account Agreement; however, due to higher than anticipated investment earnings, the \$38,322 contribution for fiscal year 2001-02 was paid entirely by the Investment Account. In subsequent years the portion of normal costs paid from bond proceeds would be adjusted by a reduction of 5% of normal costs each year for 20 years, increases or decreases in relation to changes in the UAAL, and returns on investments which vary from anticipated. The balance of the investment account on June 30, 2002 was \$195,053.

Because the amortized gains of the retirement system have been higher than anticipated, the required annual percentage of employer contributions has remained low. The following table shows the County's required contributions and the percentage contributed, for the current year and each of the two preceding years:

Year Ended	County Cash Contribution	OCERS Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
06/30/00	\$ 232	\$ 50,262	\$ 50,494	100%
06/30/01	--	45,932	45,932	100%
06/30/02	--	38,322	38,322	100%

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Cont'd)

Extra Help Employees

The County provides a retirement plan for extra help employees and part time employees working less than 20 hours a week. The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. Eligible employees of this plan are not covered by OCERS. There are currently two active plans for employees in this category. The Defined Benefit Retirement Plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. The Defined Contribution Plan replaced the previous plan and was effective for new employees March 1, 2002.

Defined Benefit Retirement Plan

Plan Description. The plan is a single-employer defined benefit retirement plan for employees performing services based on less than half time or as extra help. The normal retirement benefits for participant who retires on or after the normal retirement date is a monthly amount equal to one-twelfth of two percent of the participant's career earnings during the first 30 years of credited service. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th birthday. The County Board of Supervisors has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan.

The plan was closed to new participants as of February 28, 2002. As of June 30, 2002, the plan consists of 2,547 active plan participants, 17 terminated plan participants entitled to but not yet receiving benefits, and 5 retirees receiving benefits.

The plan's financial statements are prepared using the accrual basis of accounting. Plan participant and County contributions are recognized in the period in which contributions are due. Investments are reported at fair value as further described in Note 1.E and are fully invested in the County Pool as described in Note 4. The plan has not issued separate stand-alone financial statements.

Funding Policy. Plan participants are required to contribute between 2.5 and 7.5 percent of their annual covered compensation based upon their attained age as of January 1 of each calendar year. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, there have been no County contributions. The annual required contribution is equal to:

- Normal cost
- Minus employee contribution
- Plus 30 amortization of the unfunded actuarial accrued liability

Annual Pension Cost. GASB Statement No. 27 requires the County to have an actuarial valuation performed at least biennially to determine the plan's annual pension cost. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the County's annual required contribution is the total of (a) normal cost, (b) minus employee contribution, (c) plus 30-year amortization of the unfunded actuarial liability. Based on the most recent actuarial valuation, June 30, 2002, interest on the net pension obligation is immaterial.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Cont'd)

Extra Help Employees (Cont'd)

Defined Benefit Retirement Plan (Cont'd)

For the fiscal year ended June 30, 2002, the County's annual required contribution was \$65. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the traditional (unprojected) unit credit actuarial cost method. The actuarial assumptions included (a) 5.5% investment return (net of administrative expenses), (b) the 1983 Group Annuity Mortality table for Males and Females, and (c) projected annual salary increases of 4% a year (used to project future payroll only). Both (a) and (c) include a 3.75% annual inflation component. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 30 years. However, the investment return assumption was changed from 8% to 5.5% at June 30, 2002. This change will impact the 2002-03 annual pension cost.

The actuarial valuation date for year 2000 has been changed to June 30 from January 1. The change in accrued liability due to the change of valuation date is insignificant.

Orange County Defined Benefit Retirement Plan
Schedule of Funding Progress
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/98	\$ 2,058	\$ 2,178	\$ 120	94.5%	\$ 10,862	1.1%
06/30/99	\$ 2,280	\$ 2,975	\$ 695	76.6%	\$ 18,200	3.8%
06/30/00	\$ 2,666	\$ 3,750	\$ 1,084	71.1%	\$ 18,920	5.7%
06/30/01*	\$ 3,419	\$ 4,149	\$ 730	82.4%	\$ 19,676	3.7%
06/30/02	\$ 4,121	\$ 7,035	\$ 2,914	58.6%	\$ 24,192	12.0%

* June 30, 2001 Actuarial Accrued Liability based on June 30, 2000 valuation results rolled forward one year.

Schedule of Employer Contributions
(Amounts in Thousands)

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	\$ 3	0%	\$ 6
2000	\$ 2	0%	\$ 28
2001	\$ 73	0%	\$ 101
2002	\$ 65	0%	\$ 166

Note: The two preceding schedules include information determined as part of the actuarial valuations at the dates indicated.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

19. RETIREMENT PLANS (Cont'd)

Extra Help Employees (Cont'd)

Defined Contribution Plan

Plan Description. On March 1, 2002 the County adopted a Defined Contribution Plan to replace the Defined Benefit Plan for extra help employees and part time employees working less than 20 hours per week. The plan is a tax-deferred retirement plan established in accordance with Internal Revenue Code 3121. The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. Eligible employees of this plan are not covered by OCERS. As of June 30, 2002 there were 282 participants in the plan.

The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The normal retirement benefits for a participant who 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 Deferred Compensation Plan or leave the balance in the plan until they are no longer employed with the County.

Funding Policy. Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in a stable value fund offered through BenefitsCorp Equities, Inc, designed to protect principal and maximize earnings. There is no additional contribution made by the County.

Annual Pension Cost. There are no separate recordkeeping or administrative fees charged to the participants. The investment management fee charged by BenefitsCorp Equities, Inc. for the stable value fund is deducted from the interest earnings each quarter as a percentage of the interest rate credited.

20. POSTRETIREMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the County makes health care benefits available for 4,739 retired employees. These health care benefits are funded by a 1% salary contribution from current employees, contributions from the OCERS' Additional Retirement Benefit Account, and contributions from the retirees themselves. The County recognizes the cost of these benefits by reporting as expenditures in various funds periodic insurance premiums and claims, which were \$19,104 in FY 2001-02.

The County of Orange Board of Supervisors approved the establishment of the retiree medical program on August 1, 1993. Participants for County administered retiree health care must be eligible to retire and have at least ten years of County service and have reached the age of 50. Participants must also be receiving a monthly retirement allowance from the OCERS and be enrolled in a County health plan at the time of retirement.

The retiree medical grant amount for calendar year 2002 is set at \$13.53 per month for each year of County service to a maximum of 25 years. For FY 2001-02, the retiree medical program contributed \$10,883 towards retiree medical insurance costs. At the beginning of each month, the County of Orange and OCERS determine eligibility. The appropriate funds are then applied to the retirees' monthly pension benefit.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Dollar Amounts in Thousands)

21. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2002:

A. State of California Fiscal Outlook

On November 14, 2002, the California Legislative Analyst's Office (LAO) issued its "California's Fiscal Outlook, LAO Projections, 2002-03 Through 2007-08" report. The nonpartisan Legislative Analyst projected that California will be facing a \$21,100,000 General Fund deficit by the end of FY 2002-03, absent any corrective actions by the State's legislators.

The report blamed the looming shortfall in large part on the gap between State spending and revenue collections caused by the stock market decline and the corresponding reduction in State tax receipts. The LAO projects that general fund revenue collections in FY 2002-03 will fall \$4,100,000 short of projections and \$6,500,000 short of projections in FY 2003-04, largely because of projected declines in personal income tax receipts. It is currently not known how the State's projected deficit will ultimately impact the County.

B. Temporary General Fund Cash Transfers to Other Funds

On August 20, 2002, the Board of Supervisors authorized the Auditor-Controller, upon approval by the CEO, to make temporary transfers of cash from the County General Fund to the Airport Enterprise Fund and to the Building and Safety Fund (a separate special revenue fund). This authority was granted pursuant to statutory provisions contained in Sections 25252 and 53635.7 of the California Government Code.

Temporary cash transfers of up to a total of \$10,000 to the Airport Enterprise Fund were sought by John Wayne Airport to provide funding for extensive facility modification costs of a project that would provide for 100 percent screening of checked baggage, required by the federal Aviation Transportation Security Act (ATSA) to start by December 31, 2002. The ATSA was passed in the wake of the tragic events of September 11, 2001, and created the Transportation Security Administration (TSA). TSA is charged with ensuring security for all modes of transportation and carrying out the mandates included in ATSA. Due to TSA's ability to only pay for equipment costs, the Airport Enterprise Fund is paying the costs of infrastructure improvements for the project, which may temporarily exceed the Enterprise Fund's aeronautical cash reserves. The General Fund will temporarily transfer up to \$10,000 to the Airport Enterprise Fund, if needed to provide cash to cover the expenses of this project. The transfers will be repaid with interest out of future Airport aeronautical revenues, or out of federal funds, if federal funding is eventually provided for the infrastructure portion of the project.

Subsequent to the Board action to authorize the temporary cash transfers, John Wayne Airport accepted a grant offer from the Federal Aviation Administration on September 27, 2002, in the amount of \$10,000 for the 100 percent checked baggage screening project. This funding may reduce the necessity of cash transfers from the County General Fund. John Wayne Airport continues to pursue 100 percent funding of the project.

Temporary cash transfers of up to a total of \$8,000 from the County General Fund were authorized for the Building and Safety Fund, which is a separate special revenue fund that accounts for the revenues and costs of building permits and plan check inspections. As a result of a combination of fee reductions for building permits and plan checking, and a decreased level of permit activity, cash reserves in the Building and Safety Fund were almost depleted at the end of FY 2001-02. If necessary, temporary transfers of cash from the General Fund will be utilized to provide cash flow for the Building and Safety Fund while other corrective actions are assessed and implemented. Repayments of the transfers will be made to the General Fund with interest as revenues are received in the Building and Safety Fund and its cash reserves are restored.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
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21. SUBSEQUENT EVENTS (Cont'd)

C. Audit of Handicapped & Disabled Students Claim

The State Controller's Office audited claims filed for providing mental health services to children under the Senate Bill 90 Mandated Costs Reimbursement Program for Fiscal Years 1997-98 and 1998-99, and asserted that approximately \$12,400 in costs claimed were unallowable. On October 2, 2002, the governor signed State budget trailer bill AB 2781, which provides that the percentage of reimbursement for certain treatment costs are not subject to dispute, thereby reducing the total amount of potential audit disallowances by approximately \$10,400. The County will continue to appeal the remaining \$2,000 in disallowances. The effect of this legislation on the current audit is not known.

D. Coordination Proceeding Special Title (Rule 1550 (B) - Retirement Case

The parties to the *Ventura* Litigation, described in Note 17, conferred and reached a mutually agreeable settlement. The proposed Settlement Agreement resolved all *Ventura* related issues, and authorized a payment of \$250 in attorney fees to counsel for one of the defendants/cross-complainants in the case. The court approved the settlement agreement on November 1, 2002. The final judgment will result in no new costs to the County and no additional costs to members.

E. Teeter Plan Revenue Bonds

On November 1, 2002, the Orange County Special Financing Authority retired \$700 of the 1995 Teeter Plan Revenue Bonds, leaving \$1,100 of the Series A Bonds outstanding.

F. Annual Leave Plan

On November 5, 2002, the County Board of Supervisors approved an amendment to the 2001-2004 Memoranda of Understanding (MOU) for the employees represented by the Orange County Employees Association (OCEA) and the Operations and Service Maintenance Unit, Service Employees International Union (SEIU), Chapter 787, which provides an Annual Leave Plan for these employees. Pursuant to an agreement reached during the 2001 contract negotiations with both OCEA and SEIU to develop an Annual Leave Plan, the County and the referenced representation units completed collaborative negotiations and have established a workable Annual Leave Plan for both of these organizations.

Based on existing sick leave balances, initial estimates indicate an increased compensated absences liability of approximately \$29,500, which will be paid out as these represented County employees depart from County service.

G. County of Orange v. Assessment Appeals Board No. 3

On December 12, 2002, this case was granted class-action status by the Superior Court. For further information on this case, refer to Note 17.



OTHER 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 and Civic Center Authority

This group of funds is used to account for revenue and expenditures related to parking facilities and the Orange County Civic Center Authority. 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.

Redevelopment Agency

This fund is used to account for the annual 20% tax increment set-asides to be used for low and moderate income housing.

Service Areas, Lighting and Maintenance Districts

This group of funds is used to account for local park and recreation facilities and services, highway lighting, and street sweeping services within unincorporated areas of the County. Property taxes and state grants provide most of these districts' revenues.

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, reimbursements for production of components of the Southern California Association of Governments (SCAG) Regional Comprehensive Plan, registration of off-highway vehicles, and motor vehicle fees levied by the South Coast Air Quality Management District.

Other Public Protection

This group of funds is used to account for certain housing, building and safety, and law enforcement activities. Revenues consist primarily of federal aid and interest.

Community Services

This group of funds is used to account for the Orange County Workforce Investment Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, and Community Social Programs. Revenues consist primarily of Federal grants passed through the State, as well as State grants.

Designated Special Revenue

These funds are used to account for proceeds from sales of assets (Fund 15R) and fund balance available transferred from the General Fund (Fund 15S), to be utilized for debt reduction, essential operating requirements of other funds, and emergency expenditures.

Restricted Refinancing Proceeds

This fund is used to account for net proceeds remaining after the refinancing of the 1994-95 Teeter Notes with the Teeter Plan Revenue Bonds. Interest earned on this fund was dedicated to payment of interest on the 1994-95 Non-Taxable Tax and Revenue Anticipation Notes, pursuant to the debt rollover agreement approved by the Bankruptcy Court.

Recovery Certificates of Participation

This fund is used to account for the proceeds of the 1996 Recovery Certificates of Participation and other Plan of Adjustment financing sources, and to account for the uses of those proceeds and other sources.

OTHER GOVERNMENTAL FUNDS (Cont'd)

SPECIAL REVENUE FUNDS (Cont'd)

Schedule I County-Administered Accounts

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

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.

Deferred Compensation Reimbursement

This fund is used to account for payments made to the outside contract administrator of the County-offered deferred compensation plan, pursuant to the Deferred Compensation Program Administrative Agreement.

Orange County Housing Authority

This fund is used to account for revenues received from the Federal Government and expenditures related to operation of the Section 8 Rental Assistance Program. This program assists low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies.

Revenue Neutrality

This fund is used to account for revenue neutrality payments to the County from newly incorporated cities to compensate the County for its on-going regional costs in providing services to the new cities. Interest earned in this fund will be sufficient to cover the on-going regional costs.

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.

Redevelopment Agency Bonds

This group of funds is used to account for Orange County Development Agency Revenue Bonds.

Public Facilities Corporation Bonds, Master Lease

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

General Obligation, Other Revenue Bonds

This fund is used to account for Orange County Civic Center Authority State Building Revenue Bonds.

Pension Obligation Bonds

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

OTHER GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS (Cont'd)

Refunding Recovery Bonds

This fund was used to account for the debt service and other transactions handled by the trustee bank for the Orange County Refunding Recovery Bonds. This fund balance was transferred to the major fund Refunding & Recovery COPs & Debt Prepayment.

Orange County Special Financing Authority

This fund is used to account for debt service and other transactions handled by the trustee bank for the Orange County Special Financing Authority, which issued the Teeter Plan Revenue Bonds.

Orange County Public Financing Authority

This fund was established to account for the debt service expenditures for the Orange County Public Financing Authority.

Recovery Certificates of Participation

This fund was used to account for the annual debt service transactions for the 1996 Recovery Certificates of Participation, which are handled by a trustee bank. This fund balance was transferred to the major fund Refunding & Recovery COPs & Debt Prepayment.

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.

Public Library

This fund was used to account for the construction or purchase of equipment and facilities of the Orange County Public Library. This fund balance was transferred to the major fund Public Library.

Flood Control District

This fund is used to account for the accumulation of capital for future Santa Ana River Mainstem Project Improvements. This fund is grouped with similar purpose funds to be reported as a major fund in the fund financial statements.

Redevelopment Agency

This group of funds is used to account for the acquisition and disposition of land and improvements held for resale by the Development Agency, and for other capital acquisitions, primarily from the proceeds of bond issues and taxes resulting from the increment in assessed valuation of taxable properties within the Agency's boundaries.

Special Assessment Districts, Community Facilities Districts and Service Areas

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.

Telecommunications Equipment

This fund is used to account for the acquisition and installation of certain telecommunications equipment for general government purposes.

OTHER GOVERNMENTAL FUNDS (Cont'd)

PERMANENT FUND

A Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Regional Park Endowment

This fund is used to account for costs associated with the repair and maintenance of a mitigation area in Limestone Regional Park.

**COUNTY OF ORANGE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2002
(In Thousands)**

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities & Civic Center Authority	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
<u>ASSETS</u>					
Pooled Cash/Investments	\$ 409,205	\$ 3,706	\$ 11,107	\$ 2,175	\$ 2,393
Imprest Cash Funds	121	--	--	--	8
Restricted Cash and Investments with Trustee	324,653	--	--	--	--
Investments	10,219	--	--	--	--
Receivables					
Accounts	1,287	28	--	--	101
Taxes	24,449	--	--	17	--
Interest/Dividends	16	--	--	--	--
Deposits	2,784	--	--	--	--
Loans	350	--	--	--	350
Allowance for Uncollectible Receivables	(1)	--	--	--	--
Due from Other Funds	20,180	100	1,940	28	474
Due from Other Governmental Agencies	13,348	236	--	--	30
Inventory of Materials and Supplies	380	--	--	--	--
Prepaid Costs	161	--	--	--	--
Land and Improvements Held for Resale	1,951	--	--	--	--
Notes Receivable	17,323	--	3,249	--	214
Total Assets	<u>\$ 826,426</u>	<u>\$ 4,070</u>	<u>\$ 16,296</u>	<u>\$ 2,220</u>	<u>\$ 3,570</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts Payable	\$ 18,180	\$ 719	\$ 7	\$ 21	\$ 1,339
Salaries and Employee Benefits Payable	1,052	4	--	--	29
Deposits from Others	6,156	1	--	--	28
Due to Other Funds	22,208	161	3	18	59
Due to Other Governmental Agencies	4,603	273	--	--	--
Deferred Revenue	16,508	--	--	--	242
Total Liabilities	<u>68,707</u>	<u>1,158</u>	<u>10</u>	<u>39</u>	<u>1,697</u>
Fund Balances					
Reserved	444,809	213	3,280	732	3,922
Unreserved					
Undesignated	312,910	2,699	13,006	1,449	(2,049)
Total Fund Balances	<u>757,719</u>	<u>2,912</u>	<u>16,286</u>	<u>2,181</u>	<u>1,873</u>
Total Liabilities and Fund Balances	<u>\$ 826,426</u>	<u>\$ 4,070</u>	<u>\$ 16,296</u>	<u>\$ 2,220</u>	<u>\$ 3,570</u>

Special Revenue

Other Public Protection	Community Services	Designated Special Revenue	Restricted Refinancing Proceeds	Recovery Certificates of Participation
\$ 76,726	\$ 14,996	\$ 48,427	\$ --	\$ 6,367
113	--	--	--	--
5,001	--	--	--	--
2,006	--	--	--	--
511	--	--	--	--
--	--	--	--	--
2	--	--	--	--
5	--	--	--	--
--	--	--	--	--
--	--	--	--	--
12,524	67	1	--	24
2,046	3,510	--	--	--
380	--	--	--	--
56	--	--	--	--
--	--	--	--	--
1,157	--	1,916	--	--
<u>\$ 100,527</u>	<u>\$ 18,573</u>	<u>\$ 50,344</u>	<u>\$ --</u>	<u>\$ 6,391</u>

ASSETS

Pooled Cash/Investments
Imprest Cash Funds
Restricted Cash and Investments with Trustee
Investments
Receivables
Accounts
Taxes
Interest/Dividends
Deposits
Loans
Allowance for Uncollectible Receivables
Due from Other Funds
Due from Other Governmental Agencies
Inventory of Materials and Supplies
Prepaid Costs
Land and Improvements Held for Resale
Notes Receivable
Total Assets

LIABILITIES AND FUND BALANCES

\$ 1,183	\$ 2,963	\$ --	\$ --	\$ --
812	--	--	--	--
4,603	--	--	--	--
9,994	674	1,428	--	3,354
1,176	--	--	--	--
6,147	143	1,915	--	--
<u>23,915</u>	<u>3,780</u>	<u>3,343</u>	<u>--</u>	<u>3,354</u>
11,433	6,775	4,417	--	--
65,179	8,018	42,584	--	3,037
<u>76,612</u>	<u>14,793</u>	<u>47,001</u>	<u>--</u>	<u>3,037</u>
<u>\$ 100,527</u>	<u>\$ 18,573</u>	<u>\$ 50,344</u>	<u>\$ --</u>	<u>\$ 6,391</u>

Liabilities
Accounts Payable
Salaries and Employee Benefits Payable
Deposits from Others
Due to Other Funds
Due to Other Governmental Agencies
Deferred Revenue
Total Liabilities
Fund Balances
Reserved
Unreserved
Undesignated
Total Fund Balances
Total Liabilities and Fund Balances

(Continued)

COUNTY OF ORANGE
COMBINING BALANCE SHEET (Cont'd)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2002
(In Thousands)

	Special Revenue				
	Schedule I County - Administered Accounts	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Revenue Neutrality
ASSETS					
Pooled Cash/Investments	\$ 4,427	\$ 91	\$ 7,596	\$ 11,786	\$ 1,944
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	--	923	--
Investments	--	--	--	--	--
Receivables					
Accounts	--	--	--	646	--
Taxes	--	--	--	--	--
Interest/Dividends	--	--	--	--	--
Deposits	--	--	--	--	--
Loans	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	17	2,971	30	45	7
Due from Other Governmental Agencies	6,621	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable	--	--	--	9,583	--
Total Assets	<u>\$ 11,065</u>	<u>\$ 3,062</u>	<u>\$ 7,626</u>	<u>\$ 22,983</u>	<u>\$ 1,951</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 3,301	\$ --	\$ 17	\$ 1,275	\$ --
Salaries and Employee Benefits Payable	--	--	--	207	--
Deposits from Others	--	--	--	1,341	--
Due to Other Funds	2,689	--	1	20	52
Due to Other Governmental Agencies	631	--	--	--	--
Deferred Revenue	--	--	--	--	--
Total Liabilities	<u>6,621</u>	<u>--</u>	<u>18</u>	<u>2,843</u>	<u>52</u>
Fund Balances					
Reserved	--	--	13	13,980	--
Unreserved					
Undesignated	4,444	3,062	7,595	6,160	1,899
Total Fund Balances	<u>4,444</u>	<u>3,062</u>	<u>7,608</u>	<u>20,140</u>	<u>1,899</u>
Total Liabilities and Fund Balances	<u>\$ 11,065</u>	<u>\$ 3,062</u>	<u>\$ 7,626</u>	<u>\$ 22,983</u>	<u>\$ 1,951</u>

Debt Service

Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	General Obligation, Other Revenue Bonds	Pension Obligation Bonds	Refunding Recovery Bonds
\$ 14,672	\$ 83	\$ --	\$ 468	\$ --
--	--	--	--	--
4,250	6,763	--	172,579	--
--	--	--	--	--
--	--	--	--	--
371	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
51	--	--	3	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 19,344</u>	<u>\$ 6,846</u>	<u>\$ --</u>	<u>\$ 173,050</u>	<u>\$ --</u>

ASSETS

Pooled Cash/Investments
Imprest Cash Funds
Restricted Cash and Investments with Trustee
Investments
Receivables
Accounts
Taxes
Interest/Dividends
Deposits
Loans
Allowance for Uncollectible Receivables
Due from Other Funds
Due from Other Governmental Agencies
Inventory of Materials and Supplies
Prepaid Costs
Land and Improvements Held for Resale
Notes Receivable
Total Assets

LIABILITIES AND FUND BALANCES

\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
3,447	--	--	2	--
2,514	--	--	--	--
673	--	--	--	--
<u>6,634</u>	<u>--</u>	<u>--</u>	<u>2</u>	<u>--</u>
12,710	6,846	--	173,048	--
--	--	--	--	--
<u>12,710</u>	<u>6,846</u>	<u>--</u>	<u>173,048</u>	<u>--</u>
<u>\$ 19,344</u>	<u>\$ 6,846</u>	<u>\$ --</u>	<u>\$ 173,050</u>	<u>\$ --</u>

Liabilities

Accounts Payable
Salaries and Employee Benefits Payable
Deposits from Others
Due to Other Funds
Due to Other Governmental Agencies
Deferred Revenue
Total Liabilities

Fund Balances

Reserved
Unreserved
Undesignated
Total Fund Balances

Total Liabilities
and Fund Balances

(Continued)

COUNTY OF ORANGE
COMBINING BALANCE SHEET (Cont'd)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2002
(In Thousands)

	Debt Service			Capital Projects	
	Orange County Special Financing Authority	Orange County Public Financing Authority	Recovery Certificates of Participation	Criminal Justice Facilities	Public Library
<u>ASSETS</u>					
Pooled Cash/Investments	\$ 3,236	\$ --	\$ --	\$ 79,147	\$ --
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee	121,438	7,723	--	--	--
Investments	--	--	--	--	--
Receivables					
Accounts	--	--	--	--	--
Taxes	24,061	--	--	--	--
Interest/Dividends	--	--	--	2	--
Deposits	--	--	--	--	--
Loans	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	--	191	--
Due from Other Governmental Agencies	--	--	--	905	--
Inventory of Materials and Supplies	--	--	--	--	--
Prepaid Costs	105	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable	--	--	--	--	--
Total Assets	<u>\$ 148,840</u>	<u>\$ 7,723</u>	<u>\$ --</u>	<u>\$ 80,245</u>	<u>\$ --</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts Payable	\$ 39	\$ 275	\$ --	\$ 3,573	\$ --
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	--	--	--	--	--
Due to Other Funds	--	--	--	29	--
Due to Other Governmental Agencies	--	--	--	--	--
Deferred Revenue	7,388	--	--	--	--
Total Liabilities	<u>7,427</u>	<u>275</u>	<u>--</u>	<u>3,602</u>	<u>--</u>
Fund Balances					
Reserved	141,203	7,448	--	52,670	--
Unreserved					
Undesignated	210	--	--	23,973	--
Total Fund Balances	<u>141,413</u>	<u>7,448</u>	<u>--</u>	<u>76,643</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 148,840</u>	<u>\$ 7,723</u>	<u>\$ --</u>	<u>\$ 80,245</u>	<u>\$ --</u>

Capital Projects					Permanent Fund	
Flood Control District	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Telecommunications Equipment	Regional Park Endowment		
\$ --	\$ 41,501	\$ 78,119	\$ --	\$ 238		ASSETS
--	--	--	--	--		Pooled Cash/Investments
--	--	4,290	1,686	--		Imprest Cash Funds
--	--	8,213	--	--		Restricted Cash and Investments with Trustee
--	1	--	--	--		Investments
--	--	--	--	--		Receivables
--	--	12	--	--		Accounts
--	2,779	--	--	--		Taxes
--	--	--	--	--		Interest/Dividends
--	(1)	--	--	--		Deposits
--	1,262	443	--	2		Loans
--	--	--	--	--		Allowance for Uncollectible Receivables
--	--	--	--	--		Due from Other Funds
--	--	--	--	--		Due from Other Governmental Agencies
--	--	--	--	--		Inventory of Materials and Supplies
--	--	--	--	--		Prepaid Costs
--	1,951	--	--	--		Land and Improvements Held for Resale
--	1,204	--	--	--		Notes Receivable
<u>\$ --</u>	<u>\$ 48,697</u>	<u>\$ 91,077</u>	<u>\$ 1,686</u>	<u>\$ 240</u>		Total Assets
						LIABILITIES AND FUND BALANCES
\$ --	\$ 34	\$ 3,434	\$ --	\$ --		Liabilities
--	--	--	--	--		Accounts Payable
--	25	--	--	158		Salaries and Employee Benefits Payable
--	261	16	--	--		Deposits from Others
--	9	--	--	--		Due to Other Funds
--	--	--	--	--		Due to Other Governmental Agencies
--	--	--	--	--		Deferred Revenue
<u>--</u>	<u>329</u>	<u>3,450</u>	<u>--</u>	<u>158</u>		Total Liabilities
--	6,063	2	--	54		Fund Balances
--	--	--	--	--		Reserved
--	42,305	87,625	1,686	28		Unreserved
<u>--</u>	<u>48,368</u>	<u>87,627</u>	<u>1,686</u>	<u>82</u>		Undesignated
						Total Fund Balances
<u>\$ --</u>	<u>\$ 48,697</u>	<u>\$ 91,077</u>	<u>\$ 1,686</u>	<u>\$ 240</u>		Total Liabilities and Fund Balances

COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities & Civic Center Authority	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
Revenues					
Taxes	\$ 17,817	\$ --	\$ --	\$ 603	\$ --
Licenses, Permits, and Franchises	3,433	--	--	--	--
Fines, Forfeitures and Penalties	18,463	--	--	--	36
Use of Money and Property	41,485	6,103	336	70	7,054
Intergovernmental Revenues	124,724	1,201	--	8	791
Charges for Services	7,900	338	--	--	1,305
Contributions from Property Owners	28,991	--	--	--	--
Other Revenues	15,082	32	138	5	92
Total Revenues	257,895	7,674	474	686	9,278
Expenditures					
Current					
General Government	31,246	--	--	--	194
Public Protection	62,856	--	--	--	19,136
Public Ways and Facilities	6,808	6,808	--	--	--
Public Assistance	102,606	--	39	--	--
Recreation and Cultural Services	555	--	--	496	59
Capital Outlay	84,745	--	2	--	--
Debt Service					
Principal Retirement	7,362	--	--	--	--
Debt Service Payment to Escrow Bond Agent	12,914	--	--	--	--
Interest	15,461	--	--	--	--
Debt Issuance Costs	1,645	--	--	--	--
Total Expenditures	326,198	6,808	41	496	19,389
Excess (Deficit) of Revenues Over Expenditures	(68,303)	866	433	190	(10,111)
Other Financing Sources (Uses)					
Transfers In	102,596	2,200	2,819	18	10,115
Transfers Out	(450,040)	(4,108)	(795)	(13)	(3,401)
Premiums on Bonds Issued	3,491	--	--	--	--
Remarketed Refunding Debt Issued	34,000	--	--	--	--
Payment to Remarketing Agent	(34,000)	--	--	--	--
Refunding Bonds Issued	106,445	--	--	--	--
Payment to Refunded Bond Escrow Agent	(101,997)	--	--	--	--
Net Change in Fund Balances	(407,808)	(1,042)	2,457	195	(3,397)
Fund Balances - Beginning of Year	1,165,527	3,954	13,829	1,986	5,270
Fund Balances - End of Year	<u>\$ 757,719</u>	<u>\$ 2,912</u>	<u>\$ 16,286</u>	<u>\$ 2,181</u>	<u>\$ 1,873</u>

Special Revenue

Other Public Protection	Community Services	Designated Special Revenue	Restricted Refinancing Proceeds	Recovery Certificates of Participation
\$ --	\$ --	\$ --	\$ --	\$ --
3,433	--	--	--	--
2,970	--	--	--	--
7,489	851	2,335	36	199
27,956	18,622	--	--	--
6,257	--	--	--	--
--	--	--	--	--
6,180	10	88	102	--
<u>54,285</u>	<u>19,483</u>	<u>2,423</u>	<u>138</u>	<u>199</u>
27	--	73	1	220
43,720	--	--	--	--
--	--	--	--	--
9,156	19,339	--	--	--
--	--	--	--	--
4,824	191	--	--	--
1,812	--	--	--	--
--	--	--	--	--
236	--	--	--	--
--	--	--	--	--
<u>59,775</u>	<u>19,530</u>	<u>73</u>	<u>1</u>	<u>220</u>
(5,490)	(47)	2,350	137	(21)
15,400	375	69	1	--
(28,343)	(1,212)	(73,370)	(1,306)	(3,354)
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>(18,433)</u>	<u>(884)</u>	<u>(70,951)</u>	<u>(1,168)</u>	<u>(3,375)</u>
95,045	15,677	117,952	1,168	6,412
<u>\$ 76,612</u>	<u>\$ 14,793</u>	<u>\$ 47,001</u>	<u>\$ --</u>	<u>\$ 3,037</u>

Revenues

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

Expenditures

Current
General Government
Public Protection
Public Ways and Facilities
Public Assistance
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Debt Service Payment to Escrow Bond Agent
Interest
Debt Issuance Costs
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures

Other Financing Sources (Uses)

Transfers In
Transfers Out
Premiums on Bonds Issued
Remarketed Refunding Debt Issued
Payment to Remarketing Agent
Refunding Bonds Issued
Payment to Refunded Bond Escrow Agent

Net Change in Fund Balances

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

(Continued)

COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Cont'd)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Special Revenue				
	Schedule I County - Administered Accounts	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Revenue Neutrality
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	--	--	--
Use of Money and Property	136	80	240	631	52
Intergovernmental Revenues	--	--	--	72,684	1,901
Charges for Services	--	--	--	--	--
Contributions from Property Owners	--	--	--	--	--
Other Revenues	6,621	--	--	508	--
Total Revenues	<u>6,757</u>	<u>80</u>	<u>240</u>	<u>73,823</u>	<u>1,953</u>
Expenditures					
Current					
General Government	4,066	11,189	295	--	2
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Public Assistance	--	--	--	74,072	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	--	--	--
Debt Service					
Principal Retirement	--	--	--	--	--
Debt Service Payment to Escrow Bond Agent	--	--	--	--	--
Interest	--	--	--	--	--
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	<u>4,066</u>	<u>11,189</u>	<u>295</u>	<u>74,072</u>	<u>2</u>
Excess (Deficit) of Revenues Over Expenditures	2,691	(11,109)	(55)	(249)	1,951
Other Financing Sources (Uses)					
Transfers In	--	4,029	--	--	--
Transfers Out	(2,559)	--	--	--	(52)
Premiums on Bonds Issued	--	--	--	--	--
Remarketed Refunding Debt Issued	--	--	--	--	--
Payment to Remarketing Agent	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--	--
Net Change in Fund Balances	132	(7,080)	(55)	(249)	1,899
Fund Balances - Beginning of Year	4,312	10,142	7,663	20,389	--
Fund Balances - End of Year	<u>\$ 4,444</u>	<u>\$ 3,062</u>	<u>\$ 7,608</u>	<u>\$ 20,140</u>	<u>\$ 1,899</u>

Debt Service					
Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	General Obligation, Other Revenue Bonds	Pension Obligation Bonds	Refunding Recovery Bonds	
\$ 17,214	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
13	--	--	--	--	Licenses, Permits, and Franchises
733	972	7	2,443	--	Fines, Forfeitures and Penalties
234	--	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental Revenues
--	--	--	--	--	Charges for Services
--	--	--	--	--	Contributions from Property Owners
68	--	53	--	--	Other Revenues
<u>18,262</u>	<u>972</u>	<u>60</u>	<u>2,443</u>	<u>--</u>	Total Revenues
					Expenditures
					Current
4,598	2	188	30	--	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Public Assistance
--	--	--	--	--	Recreation and Cultural Services
					Capital Outlay
					Debt Service
1,105	3,065	330	250	--	Principal Retirement
--	12,914	--	--	--	Debt Service Payment to Escrow Bond Agent
3,910	3,286	8	4,655	--	Interest
667	--	--	--	--	Debt Issuance Costs
<u>10,280</u>	<u>19,267</u>	<u>526</u>	<u>4,935</u>	<u>--</u>	Total Expenditures
					Excess (Deficit) of Revenues
7,982	(18,295)	(466)	(2,492)	--	Over Expenditures
					Other Financing Sources (Uses)
795	9,638	--	7,866	--	Transfers In
(8,851)	--	--	(9,000)	(29,110)	Transfers Out
327	--	--	--	--	Premiums on Bonds Issued
--	--	--	--	--	Remarketed Refunding Debt Issued
--	--	--	--	--	Payment to Remarketing Agent
26,160	--	--	--	--	Refunding Bonds Issued
<u>(27,347)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	Payment to Refunded Bond Escrow Agent
(934)	(8,657)	(466)	(3,626)	(29,110)	Net Change in Fund Balances
13,644	15,503	466	176,674	29,110	Fund Balances - Beginning of Year
<u>\$ 12,710</u>	<u>\$ 6,846</u>	<u>\$ --</u>	<u>\$ 173,048</u>	<u>\$ --</u>	Fund Balances - End of Year

(Continued)

COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Cont'd)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Debt Service			Capital Projects	
	Orange County Special Financing Authority	Orange County Public Financing Authority	Recovery Certificates of Participation	Criminal Justice Facilities	Public Library
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	7,306	--	--	8,138	--
Use of Money and Property	4,863	9	--	2,133	--
Intergovernmental Revenues	--	--	--	400	--
Charges for Services	--	--	--	--	--
Contributions from Property Owners	--	--	--	--	--
Other Revenues	--	184	--	38	--
Total Revenues	<u>12,169</u>	<u>193</u>	<u>--</u>	<u>10,709</u>	<u>--</u>
Expenditures					
Current					
General Government	10,361	--	--	--	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Public Assistance	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	--	17,988	--
Debt Service					
Principal Retirement	800	--	--	--	--
Debt Service Payment to Escrow Bond Agent	--	--	--	--	--
Interest	2,868	--	--	--	--
Debt Issuance Costs	--	978	--	--	--
Total Expenditures	<u>14,029</u>	<u>978</u>	<u>--</u>	<u>17,988</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	(1,860)	(785)	--	(7,279)	--
Other Financing Sources (Uses)					
Transfers In	--	--	--	47,024	--
Transfers Out	--	(566)	(115,066)	(4,670)	(2,547)
Premiums on Bonds Issued	--	3,164	--	--	--
Remarketed Refunding Debt Issued	34,000	--	--	--	--
Payment to Remarketing Agent	(34,000)	--	--	--	--
Refunding Bonds Issued	--	80,285	--	--	--
Payment to Refunded Bond Escrow Agent	--	(74,650)	--	--	--
Net Change in Fund Balances	(1,860)	7,448	(115,066)	35,075	(2,547)
Fund Balances - Beginning of Year	143,273	--	115,066	41,568	2,547
Fund Balances - End of Year	<u>\$ 141,413</u>	<u>\$ 7,448</u>	<u>\$ --</u>	<u>\$ 76,643</u>	<u>\$ --</u>

Capital Projects					Permanent Fund
Flood Control District	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Telecommunications Equipment	Regional Park Endowment	
\$ --	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
--	--	--	--	--	Licenses, Permits, and Franchises
--	1,369	3,131	206	7	Fines, Forfeitures and Penalties
--	927	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental Revenues
--	--	--	--	--	Charges for Services
--	--	28,991	--	--	Contributions from Property Owners
--	515	448	--	--	Other Revenues
--	2,811	32,570	206	7	Total Revenues
					Expenditures
					Current
--	--	--	--	--	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Public Assistance
--	--	--	--	--	Recreation and Cultural Services
--	1,084	53,107	7,549	--	Capital Outlay
--	--	--	--	--	Debt Service
--	--	--	--	--	Principal Retirement
--	--	--	498	--	Debt Service Payment to Escrow Bond Agent
--	--	--	--	--	Interest
--	--	--	--	--	Debt Issuance Costs
--	1,084	53,107	8,047	--	Total Expenditures
--	1,727	(20,537)	(7,841)	7	Excess (Deficit) of Revenues
					Over Expenditures
--	2,033	97	117	--	Other Financing Sources (Uses)
(156,360)	--	(5,357)	--	--	Transfers In
--	--	--	--	--	Transfers Out
--	--	--	--	--	Premiums on Bonds Issued
--	--	--	--	--	Remarketed Refunding Debt Issued
--	--	--	--	--	Payment to Remarketing Agent
--	--	--	--	--	Refunding Bonds Issued
--	--	--	--	--	Payment to Refunded Bond Escrow Agent
(156,360)	3,760	(25,797)	(7,724)	7	Net Change in Fund Balances
156,360	44,608	113,424	9,410	75	Fund Balances - Beginning of Year
\$ --	\$ 48,368	\$ 87,627	\$ 1,686	\$ 82	Fund Balances - End of Year

**COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Parking Facilities and Civic Center Authority								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 1,490	\$ --	\$ 1,490	\$ 2,058	\$ 568		
Charges for Services		152	--	152	338	186		
Other Revenues		25	--	25	22	(3)		
Transfers In		3,000	(800)	2,200	2,200	--		
Total Revenues and Other Financing Sources		<u>4,667</u>	<u>(800)</u>	<u>3,867</u>	<u>4,618</u>	<u>751</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Ways and Facilities:								
Parking Facilities	\$ 141	4,917	484	5,542	3,730	1,812	\$ 139	\$ 1,673
Total Expenditures/Encumbrances and Other Financing Uses	<u>141</u>	<u>4,917</u>	<u>484</u>	<u>5,542</u>	<u>3,730</u>	<u>1,812</u>	<u>\$ 139</u>	<u>\$ 1,673</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(141)	(250)	(1,284)	(1,675)	888	<u>\$ 2,563</u>		
Fund Balances - Budgeted Fund - Beginning of Year	--	250	--	250	1,661			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	2,293			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(1,949)			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(120)			
Fund Balance Reserved for Encumbrances	141	--	--	141	139			
Provisions for Reserves and/or Designations	--	--	1,284	1,284	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,912</u>			
Redevelopment Agency Revenues and Other Financing Sources								
Use of Money and Property		\$ 400	\$ --	\$ 400	\$ 336	\$ (64)		
Other Revenues		--	--	--	138	138		
Transfers In		2,594	--	2,594	2,819	225		
Total Revenues and Other Financing Sources		<u>2,994</u>	<u>--</u>	<u>2,994</u>	<u>3,293</u>	<u>299</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 3	13,513	41	13,557	836	12,721	\$ 31	\$ 12,690
Total Expenditures/Encumbrances and Other Financing Uses	<u>3</u>	<u>13,513</u>	<u>41</u>	<u>13,557</u>	<u>836</u>	<u>12,721</u>	<u>\$ 31</u>	<u>\$ 12,690</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(3)	(10,519)	(41)	(10,563)	2,457	<u>\$ 13,020</u>		
Fund Balance - Beginning of Year	--	10,519	--	10,519	13,829			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(3,280)			
Fund Balance Reserved for Encumbrances	3	--	--	3	31			
Provisions for Reserves and/or Designations	--	--	41	41	3,249			
Fund Balance - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 16,286</u>			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Service Areas, Lighting and Maintenance Districts Revenues and Other Financing Sources								
Taxes		\$ 549	\$ --	\$ 549	\$ 603	\$ 54		
Use of Money and Property		46	--	46	70	24		
Intergovernmental Revenues		9	--	9	8	(1)		
Other Revenues		1	--	1	5	4		
Transfers In		--	18	18	18	--		
Total Revenues and Other Financing Sources		<u>605</u>	<u>18</u>	<u>623</u>	<u>704</u>	<u>81</u>		
Expenditures/Encumbrances and Other Financing Uses								
Recreation and Cultural Services:								
County Service Area No. 4 -								
Leisure World	\$ 21	689	330	1,040	353	687	\$ 13	\$ 674
North Tustin Landscaping and Lighting Assessment District	53	773	3	829	107	722	53	669
County Service Area No. 13 -								
La Mirada	1	7	(1)	7	6	1	--	1
County Service Area No. 20 -								
La Habra	--	7	3	10	--	10	--	10
County Service Area No. 22 -								
East Yorba Linda	23	34	3	60	43	17	2	15
Total Expenditures/Encumbrances and Other Financing Uses	<u>98</u>	<u>1,510</u>	<u>338</u>	<u>1,946</u>	<u>509</u>	<u>1,437</u>	<u>\$ 68</u>	<u>\$ 1,369</u>
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances and Other Financing Uses	(98)	(905)	(320)	(1,323)	195	<u>\$ 1,518</u>		
Fund Balances - Beginning of Year	--	1,112	--	1,112	1,986			
Cancellation of Prior Year Reserves/Designations	--	13	--	13	(732)			
Fund Balance Reserved for Encumbrances	98	--	--	98	68			
Provisions for Reserves and/or Designations	--	(220)	320	100	664			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,181</u>			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Other Environmental Management Revenues and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 17	\$ --	\$ 17	\$ 36	\$ 19		
Use of Money and Property		6,181	--	6,181	7,054	873		
Intergovernmental Revenues		910	--	910	791	(119)		
Charges for Services		680	--	680	1,305	625		
Other Revenues		28	--	28	92	64		
Transfers In		19,782	(1,146)	18,636	10,115	(8,521)		
Total Revenues and Other Financing Sources		<u>27,598</u>	<u>(1,146)</u>	<u>26,452</u>	<u>19,393</u>	<u>(7,059)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Southern California Association of Governments Subregional Plan Development								
	\$ 2	--	12	14	2	12	\$ --	\$ 12
Real Estate Development Program	--	156	(4)	152	144	8	--	8
Air Quality Improvement	82	334	32	448	183	265	88	177
Public Protection:								
Fish and Game Propagation	--	51	15	66	12	54	--	54
Survey Monument Preservation	--	97	22	119	9	110	--	110
Local Redevelopment Authority								
Operations	583	14,195	505	15,283	11,051	4,232	1,091	3,141
Local Redevelopment Authority	3,864	12,963	(4,632)	12,195	8,065	4,130	2,170	1,960
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	191	(19)	172	59	113	--	113
Total Expenditures/Encumbrances and Other Financing Uses	<u>4,531</u>	<u>27,987</u>	<u>(4,069)</u>	<u>28,449</u>	<u>19,525</u>	<u>8,924</u>	<u>\$ 3,349</u>	<u>\$ 5,575</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(4,531)	(389)	2,923	(1,997)	(132)	<u>\$ 1,865</u>		
Fund Balances - Beginning of Year	--	389	--	389	5,270			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(7,186)			
Fund Balance Reserved for Encumbrances	4,531	--	--	4,531	3,349			
Provisions for Reserves and/or Designations	--	--	(2,923)	(2,923)	572			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,873</u>			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent (Overspent) Appropriations
Other Public Protection								
Revenues and Other Financing Sources								
Licenses, Permits, and Franchises		\$ 4,884	\$ 367	\$ 5,251	\$ 3,433	\$ (1,818)		
Fines, Forfeitures and Penalties		3,346	--	3,346	2,970	(376)		
Use of Money and Property		9,433	20	9,453	7,489	(1,964)		
Intergovernmental Revenues		57,518	1,570	59,088	27,956	(31,132)		
Charges for Services		19,069	235	19,304	6,257	(13,047)		
Other Revenues		11,657	1,388	13,045	6,180	(6,865)		
Transfers In		8,937	800	9,737	15,400	5,663		
Total Revenues/Other Financing Sources		<u>114,844</u>	<u>4,380</u>	<u>119,224</u>	<u>69,685</u>	<u>(49,539)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Remittance Processing Equipment								
Replacement	\$ 3	656	6	665	3	662	\$ 3	\$ 659
County Executive Office - Single Family Housing	--	7,598	54	7,652	24	7,628	--	7,628
Public Protection:								
Orange County Pro-Active Methamphetamine Laboratory Investigation Team								
County Automated Fingerprint Identification	--	1,195	--	1,195	1,182	13	--	13
Building and Safety	969	19,238	(997)	19,210	18,023	1,187	471	716
Narcotic Forfeiture and Seizure Sheriff-Regional Narcotics Suppression Program	--	2,280	(33)	2,247	526	1,721	--	1,721
Motor Vehicle Theft Task Force	185	5,306	(649)	4,842	2,830	2,012	47	1,965
Traffic Violator	13	3,676	(22)	3,667	2,097	1,570	4	1,566
Children's Waiting Room	--	1,270	77	1,347	294	1,053	--	1,053
Sheriff Narcotics Program	--	145	248	393	223	170	--	170
Orange County Jail	--	1,576	100	1,676	1,198	478	3	475
Contract Cities Shared Forfeitures	--	4,149	100	4,249	3,209	1,040	--	1,040
County Public Safety Sales Tax Excess Revenues	--	17	3	20	8	12	--	12
California Automated Fingerprint Identification Operational Costs	--	26,610	25,467	52,077	20,311	31,766	--	31,766
California Automated Fingerprint Identification Systems Costs	--	188	799	987	1	986	--	986
Sheriff's Supplemental Law Enforcement Services	625	3,981	486	5,092	6	5,086	625	4,461
District Attorney's Supplemental Law Enforcement Services	--	1,267	195	1,462	1,427	35	--	35
Local Law Enforcement Block Grant	--	1,085	(17)	1,068	1,037	31	--	31
Superior Court Integrated Court Management System, Phase III Acquisition	--	270	149	419	175	244	--	244
Ward Welfare	--	2,581	569	3,150	3,009	141	--	141
Court Facilities	6	500	148	654	294	360	27	333
Sheriff's Substations Fee Program	725	2,527	834	4,086	3,640	446	119	327
Jail Commissary	83	4,954	(5)	5,032	2	5,030	83	4,947
Inmate Welfare	17	4,850	234	5,101	4,634	467	36	431
800 MHz County-Wide Coordinated Communications System	289	12,088	742	13,119	5,435	7,684	115	7,569
Delta Special Revenue	435	15,964	--	16,399	6,835	9,564	370	9,194
Superior Court Integrated Court Management System, Phase II Acquisition	--	22	21	43	11	32	--	32
Public Assistance:								
Housing and Community Development	--	--	--	--	7	(7)	--	(7)
Total Expenditures/Encumbrances and Other Financing Uses	9,683	48,301	(2,714)	55,270	11,100	44,170	6,834	37,336
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	<u>13,038</u>	<u>174,280</u>	<u>25,861</u>	<u>213,179</u>	<u>88,118</u>	<u>125,061</u>	<u>\$ 8,761</u>	<u>\$ 116,300</u>
Fund Balances - Beginning of Year	(13,038)	(59,436)	(21,481)	(93,955)	(18,433)	<u>\$ 75,522</u>		
Cancellation of Prior Year Reserves/Designations	--	59,549	--	59,549	95,045			
Fund Balance Reserved - Encumbrances	--	57	--	57	(11,432)			
Provisions - Reserves and/or Designations	13,038	--	--	13,038	8,761			
Fund Balances - End of Year	--	(170)	21,481	21,311	2,671			
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 76,612</u>			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Community Services								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 935	\$ --	\$ 935	\$ 851	\$ (84)		
Intergovernmental Revenues		24,599	3,847	28,446	18,622	(9,824)		
Other Revenues		--	--	--	10	10		
Transfers In		375	--	375	375	--		
Total Revenues and Other Financing Sources		<u>25,909</u>	<u>3,847</u>	<u>29,756</u>	<u>19,858</u>	<u>(9,898)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Job Training Partnership Act (JTPA) Program	\$ --	--	24	24	(1)	25	\$ --	\$ 25
Community Social Programs	168	862	(20)	1,010	362	648	211	437
Facilities Development and Maintenance	882	14,747	323	15,952	1,575	14,377	895	13,482
Welfare to Work	2,461	3,434	--	5,895	2,254	3,641	1,965	1,676
Workforce Investment Act	3,588	18,965	--	22,553	16,552	6,001	3,704	2,297
Total Expenditures/Encumbrances and Other Financing Uses	<u>7,099</u>	<u>38,008</u>	<u>327</u>	<u>45,434</u>	<u>20,742</u>	<u>24,692</u>	<u>\$ 6,775</u>	<u>\$ 17,917</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(7,099)	(12,099)	3,520	(15,678)	(884)	<u>\$ 14,794</u>		
Fund Balances - Beginning of Year	--	12,099	--	12,099	15,677			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(6,775)			
Fund Balance Reserved for Encumbrances	7,099	--	--	7,099	6,775			
Provisions for Reserves and/or Designations	--	--	(3,520)	(3,520)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,793</u>			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent (Overspent) Appropriations
Designated Special Revenue								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 207	\$ --	\$ 207	\$ 2,335	\$ 2,128		
Other Revenues		66	--	66	88	22		
Transfers In		--	--	--	69	69		
Total Revenues and Other Financing Sources		<u>273</u>	<u>--</u>	<u>273</u>	<u>2,492</u>	<u>2,219</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Debt Reduction/Future Essential Operating Requirement	\$ --	273	17	290	275	15	\$ 1	\$ 14
Designated Special Revenue	--	74,412	(445)	73,967	31,700	42,267	--	42,267
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>74,685</u>	<u>(428)</u>	<u>74,257</u>	<u>31,975</u>	<u>42,282</u>	<u>\$ 1</u>	<u>\$ 42,281</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(74,412)	428	(73,984)	(29,483)	<u>\$ 44,501</u>		
Fund Balances - Beginning of Year	--	74,412	--	74,412	117,952			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(45,885)			
Fund Balance Reserved for Encumbrances	--	--	--	--	1			
Provisions for Reserves and/or Designations	--	--	(428)	(428)	4,416			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 47,001</u>			
Restricted Refinancing Proceeds								
Revenues and Other Financing Sources								
Use of Money and Property		\$ --	\$ --	\$ --	\$ 36	\$ 36		
Other Revenues		--	225	225	102	(123)		
Transfers In		--	--	--	1	1		
Total Revenues and Other Financing Sources		<u>--</u>	<u>225</u>	<u>225</u>	<u>139</u>	<u>(86)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Restricted Refinancing Proceeds	\$ --	1,044	226	1,270	1,307	(37)	\$ --	\$ (37)
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>1,044</u>	<u>226</u>	<u>1,270</u>	<u>1,307</u>	<u>(37)</u>	<u>\$ --</u>	<u>\$ (37)</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(1,044)	(1)	(1,045)	(1,168)	<u>\$ (123)</u>		
Fund Balances - Beginning of Year	--	1,044	--	1,044	1,168			
Provisions for Reserves and/or Designations	--	--	1	1	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Recovery Certificates of Participation								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 42	\$ --	\$ 42	\$ 199	\$ 157		
Total Revenues and Other Financing Sources		42	--	42	199	157		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
1996 Recovery Certificates of Participation, Series A	\$ --	6,439	15	6,454	3,574	2,880	\$ --	\$ 2,880
Total Expenditures/Encumbrances and Other Financing Uses	--	6,439	15	6,454	3,574	2,880	--	2,880
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(6,397)	(15)	(6,412)	(3,375)	\$ 3,037		
Fund Balances - Beginning of Year	--	6,397	--	6,397	6,412			
Provisions for Reserves and/or Designations	--	--	15	15	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 3,037			
Schedule 1 County-Administered Accounts								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 209	\$ --	\$ 209	\$ 136	\$ (73)		
Other Revenues		55	8,000	8,055	6,621	(1,434)		
Total Revenues and Other Financing Sources		264	8,000	8,264	6,757	(1,507)		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Litigation Reserve - Escrow AG FTCl	\$ --	181	--	181	--	181	\$ --	\$ 181
Indemnification Reserve	--	1,139	(11)	1,128	1	1,127	--	1,127
Litigation Reserve	--	3,161	8,006	11,167	6,624	4,543	--	4,543
Schedule 1 County-Administered Accounts	--	2,334	--	2,334	--	2,334	--	2,334
Total Expenditures/Encumbrances and Other Financing Uses	--	6,815	7,995	14,810	6,625	8,185	--	8,185
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(6,551)	5	(6,546)	132	\$ 6,678		
Fund Balances - Beginning of Year	--	6,551	--	6,551	4,312			
Provisions for Reserves and/or Designations	--	--	(5)	(5)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 4,444			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Plan of Adjustment								
Available Cash								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 136	\$ --	\$ 136	\$ 80	\$ (56)		
Transfers In		1,447	1,758	3,205	4,029	824		
Total Revenues and Other Financing Sources		<u>1,583</u>	<u>1,758</u>	<u>3,341</u>	<u>4,109</u>	<u>768</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Option B Pool Participants' Registered Warrants	\$ --	1,072	--	1,072	1,060	12	\$ --	\$ 12
Class B-27 Registered Warrants	--	202	--	202	--	202	--	202
Recovery Plan of Adjustment Available Cash	--	10,489	1,720	12,209	10,129	2,080	--	2,080
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>11,763</u>	<u>1,720</u>	<u>13,483</u>	<u>11,189</u>	<u>2,294</u>	<u>\$ --</u>	<u>\$ 2,294</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(10,180)	38	(10,142)	(7,080)	<u>\$ 3,062</u>		
Fund Balances - Beginning of Year	--	10,180	--	10,180	10,142			
Provisions for Reserves and/or Designations	--	--	(38)	(38)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,062</u>			
Deferred Compensation Reimbursement								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 196	\$ --	\$ 196	\$ 240	\$ 44		
Total Revenues and Other Financing Sources		<u>196</u>	<u>--</u>	<u>196</u>	<u>240</u>	<u>44</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Deferred Compensation Reimbursement	\$ 13	7,732	114	7,859	295	7,564	\$ 13	\$ 7,551
Total Expenditures/Encumbrances and Other Financing Uses	<u>13</u>	<u>7,732</u>	<u>114</u>	<u>7,859</u>	<u>295</u>	<u>7,564</u>	<u>\$ 13</u>	<u>\$ 7,551</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(13)	(7,536)	(114)	(7,663)	(55)	<u>\$ 7,608</u>		
Fund Balances - Beginning of Year	--	7,536	--	7,536	7,663			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(13)			
Fund Balance Reserved for Encumbrances	13	--	--	13	13			
Provisions for Reserves and/or Designations	--	--	114	114	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,608</u>			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Orange County								
Housing Authority								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,254	\$ --	\$ 1,254	\$ 598	\$ (656)		
Other Revenues		--	--	--	57	57		
Total Revenues and Other Financing Sources		<u>1,254</u>	<u>--</u>	<u>1,254</u>	<u>655</u>	<u>(599)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Housing Authority-Operating Reserve	\$ 135	8,241	309	8,685	1,071	7,614	\$ 35	\$ 7,579
Total Expenditures/Encumbrances and Other Financing Uses	<u>135</u>	<u>8,241</u>	<u>309</u>	<u>8,685</u>	<u>1,071</u>	<u>7,614</u>	<u>\$ 35</u>	<u>\$ 7,579</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(135)	(6,987)	(309)	(7,431)	(416)	<u>\$ 7,015</u>		
Fund Balances -Budgeted Fund - Beginning of Year	--	6,837	--	6,837	21,539			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	(1,150)			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	165			
Cancellation of Prior Year Reserves/Designations	--	150	--	150	(13,978)			
Fund Balance Reserved for Encumbrances	135	--	--	135	35			
Provisions for Reserves and/or Designations	--	--	309	309	13,945			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,140</u>			
Revenue Neutrality								
Fund Balances - Non-Budgeted Fund - Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ --			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	1,899			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,899</u>			



COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Redevelopment Agency Bonds								
Revenues and Other								
Financing Sources								
Taxes		\$ 15,435	\$ --	\$ 15,435	\$ 17,214	\$ 1,779		
Fines, Forfeitures and Penalties		--	--	--	13	13		
Use of Money and Property		660	--	660	733	73		
Intergovernmental Revenues		200	--	200	234	34		
Other Revenues		--	--	--	68	68		
Transfers In		1,781	--	1,781	795	(986)		
Premium on Bonds Issued		--	327	327	327	--		
Bond Issuance Proceeds		--	26,160	26,160	--	(26,160)		
Proceeds of Refunding Bonds		--	--	--	26,160	26,160		
Total Revenues and Other Financing Sources		<u>18,076</u>	<u>26,487</u>	<u>44,563</u>	<u>45,544</u>	<u>981</u>		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Orange County Development								
Agency Debt Service -								
Santa Ana Heights								
	\$ --	16,640	(666)	15,974	10,589	5,385	\$ --	\$ 5,385
Orange County Development								
Agency (NDAPP) -								
Debt Service								
	--	14,527	27,706	42,233	35,889	6,344	--	6,344
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>31,167</u>	<u>27,040</u>	<u>58,207</u>	<u>46,478</u>	<u>11,729</u>	<u>\$ --</u>	<u>\$ 11,729</u>
Deficit of Revenues and Other Financing Sources						(934)		
Over Expenditures/Encumbrances and Other Financing Uses	--	(13,091)	(553)	(13,644)	(934)	<u>\$ 12,710</u>		
Fund Balances - Beginning of Year	--	13,091	--	13,091	13,644			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(12,710)			
Provisions for Reserves and/or Designations	--	--	553	553	12,710			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,710</u>			
Public Facilities Corporation								
Bonds, Master Lease								
Fund Balances - Non-Budgeted Funds -								
Beginning of Year								
	\$ --	\$ --	\$ --	\$ --	\$ 15,503			
Net Decrease in Fund Balances -								
Non-Budgeted Fund								
	--	--	--	--	(8,657)			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,846</u>			
General Obligation, Other Revenue Bonds								
Fund Balances - Non-Budgeted Funds -								
Beginning of Year								
	\$ --	\$ --	\$ --	\$ --	\$ 466			
Net Decrease in Fund Balances -								
Non-Budgeted Fund								
	--	--	--	--	(466)			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Pension Obligation Bonds								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 100	\$ --	\$ 100	\$ 2,443	\$ 2,343		
Transfers In		9,000	--	9,000	7,866	(1,134)		
Total Revenues and Other								
Financing Sources		9,100	--	9,100	10,309	1,209		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	188,398	(2,623)	185,775	13,935	171,840	\$ --	\$ 171,840
Total Expenditures/Encumbrances								
and Other Financing Uses	--	188,398	(2,623)	185,775	13,935	171,840	\$ --	\$ 171,840
Deficit of Revenues								
and Other Financing Sources								
Over Expenditures/Encumbrances								
and Other Financing Uses	--	(179,298)	2,623	(176,675)	(3,626)	\$ 173,049		
Fund Balances - Beginning of Year	--	179,298	--	179,298	176,674			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(173,048)			
Provisions for Reserves								
and/or Designations	--	--	(2,623)	(2,623)	173,048			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 173,048			
Orange County Special								
Financing Authority								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ --	\$ 35,000	\$ 35,000	\$ 7,306	\$ (27,694)		
Use of Money and Property		6,300	--	6,300	4,863	(1,437)		
Other Revenues		35,000	(35,000)	--	--	--		
Bonds Issuance Proceeds		34,000	(34,000)	--	--	--		
Proceeds of Remarketed Debt		--	34,000	34,000	34,000	--		
Total Revenues and Other								
Financing Sources		75,300	--	75,300	46,169	(29,131)		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Orange County Special								
Financing Authority	\$ --	200,538	1,581	202,119	48,029	154,090	\$ --	\$ 154,090
Total Expenditures/Encumbrances								
and Other Financing Uses	--	200,538	1,581	202,119	48,029	154,090	\$ --	\$ 154,090
Deficit of Revenues								
and Other Financing Sources								
Over Expenditures/Encumbrances								
and Other Financing Uses	--	(125,238)	(1,581)	(126,819)	(1,860)	\$ 124,959		
Fund Balances - Beginning of Year	--	125,238	--	125,238	143,273			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(141,203)			
Provisions for Reserves								
and/or Designations	--	--	1,581	1,581	141,203			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 141,413			
Orange County Public								
Financing Authority								
Revenues and Other								
Financing Sources								
Fund Balances - Non-Budgeted Fund -								
Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ --			
Net Increase in Fund Balances -								
Non-Budgeted Fund	--	--	--	--	7,448			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 7,448			

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
<u>Criminal Justice Facilities</u>								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ 8,250	\$ --	\$ 8,250	\$ 8,138	\$ (112)		
Use of Money and Property		1,382	--	1,382	2,133	751		
Intergovernmental Revenues		400	--	400	400	--		
Other Revenues		--	--	--	38	38		
Transfers In		8,608	38,430	47,038	47,024	(14)		
Total Revenues and Other Financing Sources		<u>18,640</u>	<u>38,430</u>	<u>57,070</u>	<u>57,733</u>	<u>663</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Protection:								
Criminal Justice Facilities Accumulated Capital Outlay	\$ 5,167	8,467	(1,004)	12,630	4,404	8,226	\$ 3,615	\$ 4,611
Courthouse Temporary Construction	6	4,800	706	5,512	4,803	709	6	703
Sheriff-Coroner Construction and Facility Development	5,556	37,250	4,368	47,174	11,652	35,522	20,586	14,936
Theo Lacy Jail Construction	--	--	33,321	33,321	1,799	31,522	28,463	3,059
Total Expenditures/Encumbrances and Other Financing Uses	<u>10,729</u>	<u>50,517</u>	<u>37,391</u>	<u>98,637</u>	<u>22,658</u>	<u>75,979</u>	<u>\$ 52,670</u>	<u>\$ 23,309</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(10,729)	(31,877)	1,039	(41,567)	35,075	<u>\$ 76,642</u>		
Fund Balances - Beginning of Year	--	31,877	--	31,877	41,568			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(52,670)			
Fund Balance Reserved for Encumbrances	10,729	--	--	10,729	52,670			
Provisions for Reserves and/or Designations	--	--	(1,039)	(1,039)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 76,643</u>			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,483	\$ --	\$ 1,483	\$ 1,369	\$ (114)		
Intergovernmental Revenues		1,900	--	1,900	927	(973)		
Other Revenues		--	--	--	515	515		
Transfers In		1,000	300	1,300	2,033	733		
Total Revenues and Other Financing Sources		<u>4,383</u>	<u>300</u>	<u>4,683</u>	<u>4,844</u>	<u>161</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue	\$ 2,817	21,351	1,005	25,173	790	24,383	\$ 2,858	\$ 21,525
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing	--	140	(8)	132	--	132	--	132
Orange County Development Agency - Santa Ana Heights Surplus	43	11,396	855	12,294	568	11,726	30	11,696
Orange County Development Agency (NDAPP) Projects, 1992 Issue A	22	959	(19)	962	1	961	20	941
NDAPP - Low/Moderate Income Housing, 1992, Issue A	--	2,888	41	2,929	(401)	3,330	--	3,330
Orange County Development Agency (NDAPP) Projects, 1992 Issue B	1	960	2	963	(230)	1,193	--	1,193
Orange County Development Agency (NDAPP) Projects, 1992 Issue B Low/Moderate Income Housing	--	2,245	5	2,250	2	2,248	--	2,248
Orange County Development Agency-Neighborhood Preservation and Development Construction	--	664	5	669	1	668	--	668
Orange County Development Agency (NDAPP) Surplus	45	303	230	578	353	225	--	225
Total Expenditures/Encumbrances and Other Financing Uses	<u>2,928</u>	<u>40,906</u>	<u>2,116</u>	<u>45,950</u>	<u>1,084</u>	<u>44,866</u>	<u>\$ 2,908</u>	<u>\$ 41,958</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(2,928)	(36,523)	(1,816)	(41,267)	3,760	<u>\$ 45,027</u>		
Fund Balances - Beginning of Year	--	36,523	--	36,523	44,608			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(6,063)			
Fund Balance Reserved for Encumbrances	2,928	--	--	2,928	2,908			
Provisions for Reserves and/or Designations	--	--	1,816	1,816	3,155			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 48,368</u>			

(Continued)

**COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Special Assessment Districts, Community Facilities Districts, and Service Areas								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 5,528	\$ --	\$ 5,528	\$ 3,131	\$ (2,397)		
Charges for Services		50	--	50	--	(50)		
Contributions from Property Owners		3,500	100,000	103,500	28,991	(74,509)		
Other Revenues		50	--	50	448	398		
Transfers In		2,145	1,000	3,145	97	(3,048)		
Total Revenues and Other Financing Sources		<u>11,273</u>	<u>101,000</u>	<u>112,273</u>	<u>32,667</u>	<u>(79,606)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Aliso Viejo Community Facilities District 88-1(A) 1992-Construction	\$ --	34,153	459	34,612	10,013	24,599	\$ --	\$ 24,599
Special Assessment-Top of the World Improvement	--	42	--	42	--	42	--	42
CFD 99-1, Ladera Construction Series A of 1999 Construction	--	6,655	(4,704)	1,951	449	1,502	--	1,502
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction	--	3,958	(178)	3,780	601	3,179	--	3,179
Rancho Santa Margarita Community Facilities District 86-1, Series A of 1998 Construction	--	197	(3)	194	20	174	--	174
Santa Margarita Community Facilities District 86-1 (1988) Construction	--	93	(4)	89	86	3	--	3
Lomas Laguna Community Facilities District 88-2 Construction	--	336	1	337	--	337	--	337
Community Facilities District 87-4 Series A of 1997 Construction	--	1,346	(21)	1,325	922	403	--	403
Irvine Coast Assessment District 88-1 Construction	54	33,300	(679)	32,675	24,652	8,023	2	8,021
Baker Ranch Community Facilities District 87-6 Construction	--	447	5	452	--	452	--	452
Santa Teresita Community Facilities District 87-9 Construction	--	218	(21)	197	5	192	--	192
Newport Coast IV Construction 01-1 Portola Hills Community Facilities District 87-2(A) 91 Construction	--	--	70,000	70,000	--	70,000	--	70,000
Mission Viejo Community Facilities District 87-3(A) 90 Construction	--	7,216	484	7,700	33	7,667	--	7,667
CFD 01-1 Ladera Construction Series A of 2001 Construction	--	--	30,000	30,000	5,682	24,318	--	24,318
Santa Teresita Community Facilities District 87-9(A) 1991 Construction	--	1,079	15	1,094	675	419	--	419
CFD 00-1, Ladera Construction Series A of 2000 Construction	--	26,953	(2,843)	24,110	15,160	8,950	--	8,950
Newport Ridge Construction 92-1	--	168	14	182	125	57	--	57
Newport Ridge Construction Series B	--	5,567	49	5,616	2	5,614	--	5,614
Foothill Ranch Community Facilities District 87-4(A) 94 Construction	--	758	13	771	1	770	--	770
Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction	--	490	5	495	1	494	--	494
Coto de Caza Community Facilities District 87-8(A) 94 Construction	--	1,002	468	1,470	2	1,468	--	1,468
Public Ways and Facilities: County Infrastructure Project	--	8,173	430	8,603	33	8,570	--	8,570
Total Expenditures/Encumbrances and Other Financing Uses	54	<u>132,167</u>	<u>93,476</u>	<u>225,697</u>	<u>58,464</u>	<u>167,233</u>	<u>\$ 2</u>	<u>\$ 167,231</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(54)	(120,894)	7,524	(113,424)	(25,797)	<u>\$ 87,627</u>		
Fund Balances - Beginning of Year	--	120,894	--	120,894	113,424			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(2)			
Fund Balance Reserved for Encumbrances	54	--	--	54	2			
Provisions for Reserves and/or Designations	--	--	(7,524)	(7,524)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 87,627</u>			

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Telecommunications Equipment								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 115	\$ --	\$ 115	\$ 206	\$ 91		
Transfers In		--	--	--	117	117		
Total Revenues and Other Financing Sources		<u>115</u>	<u>--</u>	<u>115</u>	<u>323</u>	<u>208</u>		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Telecommunications 2001								
Equipment	\$ --	8,567	958	9,525	8,047	1,478	\$ --	\$ 1,478
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>8,567</u>	<u>958</u>	<u>9,525</u>	<u>8,047</u>	<u>1,478</u>	<u>\$ --</u>	<u>\$ 1,478</u>
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(8,452)	(958)	(9,410)	(7,724)	<u>\$ 1,686</u>		
Fund Balances - Beginning of Year	--	8,452	--	8,452	9,410			
Provisions for Reserves and/or Designations	--	--	958	958	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,686</u>			

**COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)**

	Open Encumbrances July 1, 2001	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2002	Unspent Appropriations
Permanent Fund								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 13	\$ --	\$ 13	\$ 7	\$ (6)		
Other Revenues		4	--	4	--	(4)		
Total Revenues and Other Financing Sources		<u>17</u>	<u>--</u>	<u>17</u>	<u>7</u>	<u>(10)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance Endowment	\$ --	36	--	36	--	36	\$ --	\$ 36
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>36</u>	<u>--</u>	<u>36</u>	<u>--</u>	<u>36</u>	<u>\$ --</u>	<u>\$ 36</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(19)	--	(19)	7	<u>\$ 26</u>		
Fund Balances - Beginning of Year	--	19	--	19	75			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(54)			
Provisions for Reserves and/or Designations	--	--	--	--	54			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82</u>			

INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost reimbursement basis.

Self-Insured Benefits

This fund is used to account for the County's self-funded salary continuance and dental insurance programs.

Unemployment Insurance

This fund is used to account for the County's self-funded unemployment insurance program.

County Indemnity Health Plans

These funds are used to account for the County's self-funded health insurance programs for employees and retirees.

Workers' Compensation

This fund is used to account for the County's self-funded workers' compensation insurance program.

Property and Casualty Risk

This fund is used to account for the County's self-funded property and casualty risk insurance program.

Transportation

This fund is used to account for motor pool repair and maintenance, and for other transportation services which are provided to departments and agencies on a cost reimbursement basis.

Publishing Services

This fund is used to account for printing and graphic services which are provided to departments and agencies on a cost reimbursement basis.

Information and Technology

This fund is used to account for voice and data services to departments and agencies on a cost reimbursement basis.

**COUNTY OF ORANGE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2002
(In Thousands)**

<u>ASSETS</u>	<u>Total</u>	<u>Self-Insured Benefits</u>	<u>Unemployment Insurance</u>
Current assets			
Pooled Cash/Investments	\$ 133,755	\$ 4,212	\$ 6,373
Imprest Cash Funds	55	50	--
Accounts Receivable	194	--	--
Due from Other Funds	2,200	25	40
Due from Other Governmental Agencies	176	--	--
Inventory of Materials and Supplies	300	--	--
Total current assets	136,680	4,287	6,413
Noncurrent assets			
Equipment	76,687	15	--
Accumulated Depreciation	(55,480)	(14)	--
Construction in Progress	811	--	--
Total noncurrent assets	22,018	1	--
Total Assets	158,698	4,288	6,413
<u>LIABILITIES</u>			
Current liabilities			
Accounts Payable	6,243	33	622
Salaries and Employee Benefits Payable	464	--	--
Due to Other Funds	718	2	--
Due to Other Governmental Agencies	8	--	--
Insurance Claims Payable	49,708	206	154
Compensated Employee Absences Payable	143	--	--
Total current liabilities	57,284	241	776
Noncurrent liabilities			
Insurance Claims Payable	55,031	--	--
Compensated Employee Absences Payable	1,109	--	--
Total noncurrent liabilities	56,140	--	--
Total Liabilities	113,424	241	776
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	22,018	1	--
Restricted	66,214	4,046	5,637
Unrestricted	(42,958)	--	--
Total Net Assets	\$ 45,274	\$ 4,047	\$ 5,637

County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk
\$ 39,187	\$ 19,974	\$ 45,694
--	--	5
2	--	--
226	115	295
--	--	--
--	--	--
<u>39,415</u>	<u>20,089</u>	<u>45,994</u>
26	11	12
(25)	(1)	(7)
--	--	--
<u>1</u>	<u>10</u>	<u>5</u>
<u>39,416</u>	<u>20,099</u>	<u>45,999</u>
--	721	1,003
--	147	23
9	21	5
--	--	--
11,221	29,397	8,730
--	2	6
<u>11,230</u>	<u>30,288</u>	<u>9,767</u>
--	42,308	12,723
--	164	57
<u>--</u>	<u>42,472</u>	<u>12,780</u>
<u>11,230</u>	<u>72,760</u>	<u>22,547</u>
1	10	5
29,334	18	23,447
(1,149)	(52,689)	--
<u>\$ 28,186</u>	<u>\$ (52,661)</u>	<u>\$ 23,452</u>

ASSETS

Current assets

Pooled Cash/Investments
Imprest Cash Funds
Accounts Receivable
Due from Other Funds
Due from Other Governmental Agencies
Inventory of Materials and Supplies

Total current assets

Noncurrent assets

Equipment
Accumulated Depreciation
Construction in Progress

Total noncurrent assets

Total Assets

LIABILITIES

Current liabilities

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

Total current liabilities

Noncurrent liabilities

Insurance Claims Payable
Compensated Employee Absences Payable

Total noncurrent liabilities

Total Liabilities

NET ASSETS

Invested in Capital Assets, Net of Related Debt
Restricted
Unrestricted
Total Net Assets

COUNTY OF ORANGE
COMBINING STATEMENT OF NET ASSETS (Cont'd)
INTERNAL SERVICE FUNDS
JUNE 30, 2002
(In Thousands)

<u>ASSETS</u>	<u>Transportation</u>	<u>Publishing Services</u>	<u>Information & Technology</u>
Current assets			
Pooled Cash/Investments	\$ 7,046	\$ 1,520	\$ 9,749
Imprest Cash Funds	--	--	--
Accounts Receivable	190	2	--
Due from Other Funds	1,196	10	293
Due from Other Governmental Agencies	2	64	110
Inventory of Materials and Supplies	165	135	--
Total current assets	8,599	1,731	10,152
Noncurrent assets			
Equipment	26,992	1,038	48,593
Accumulated Depreciation	(17,442)	(554)	(37,437)
Construction in Progress	697	--	114
Total noncurrent assets	10,247	484	11,270
Total Assets	18,846	2,215	21,422
<u>LIABILITIES</u>			
Current liabilities			
Accounts Payable	472	88	3,304
Salaries and Employee Benefits Payable	173	47	74
Due to Other Funds	22	534	125
Due to Other Governmental Agencies	--	8	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	69	34	32
Total current liabilities	736	711	3,535
Noncurrent liabilities			
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	566	73	249
Total noncurrent liabilities	566	73	249
Total Liabilities	1,302	784	3,784
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	10,247	484	11,270
Restricted	1,170	139	2,423
Unrestricted	6,127	808	3,945
Total Net Assets	\$ 17,544	\$ 1,431	\$ 17,638



COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	<u>Total</u>	<u>Self-Insured Benefits</u>	<u>Unemployment Insurance</u>
Operating Revenues			
Use of Money and Property	\$ 932	\$ --	\$ --
Charges for Services	56,198	--	--
Insurance Premiums	94,145	2,740	808
Total Operating Revenues	<u>151,275</u>	<u>2,740</u>	<u>808</u>
Operating Expenses			
Salaries and Employee Benefits	10,659	--	--
Services and Supplies	26,410	--	--
Professional Services	28,643	165	1,515
Operating Leases	4,420	--	--
Insurance Claims	87,597	2,302	442
Other Charges	11,580	--	--
Depreciation	6,025	--	--
Total Operating Expenses	<u>175,334</u>	<u>2,467</u>	<u>1,957</u>
Operating Income (Loss)	<u>(24,059)</u>	<u>273</u>	<u>(1,149)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	44	--	--
Interest Revenue	4,186	127	215
Loss on Disposition of Fixed Assets	(83)	--	--
Other Revenue - Net	1,037	--	--
Total Nonoperating Revenues	<u>5,184</u>	<u>127</u>	<u>215</u>
Income (Loss) Before Contributions and Transfers	(18,875)	400	(934)
Capital Contributions	5,660	--	--
Transfers In	1,780	--	--
Transfers Out	(207)	--	--
Increase (Decrease) in Net Assets	<u>(11,642)</u>	<u>400</u>	<u>(934)</u>
Net Assets - Beginning of Year	56,916	3,647	6,571
Net Assets - End of Year	<u>\$ 45,274</u>	<u>\$ 4,047</u>	<u>\$ 5,637</u>

County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk
\$ --	\$ --	\$ --
--	--	--
62,076	28,984	(463)
<u>62,076</u>	<u>28,984</u>	<u>(463)</u>
(1)	718	668
1,425	106	7,111
2,363	2,031	304
--	5	8
43,185	37,131	4,537
11,571	--	--
--	1	1
<u>58,543</u>	<u>39,992</u>	<u>12,629</u>
<u>3,533</u>	<u>(11,008)</u>	<u>(13,092)</u>
--	--	--
1,094	514	1,731
--	--	--
--	301	240
<u>1,094</u>	<u>815</u>	<u>1,971</u>
4,627	(10,193)	(11,121)
--	--	--
740	--	--
--	--	--
<u>5,367</u>	<u>(10,193)</u>	<u>(11,121)</u>
22,819	(42,468)	34,573
<u>\$ 28,186</u>	<u>\$ (52,661)</u>	<u>\$ 23,452</u>

Operating Revenues
Use of Money and Property
Charges for Services
Insurance Premiums
Total Operating Revenues

Operating Expenses
Salaries and Employee Benefits
Services and Supplies
Professional Services
Operating Leases
Insurance Claims
Other Charges
Depreciation
Total Operating Expenses
Operating Income (Loss)

Nonoperating Revenues (Expenses)
Intergovernmental Revenues
Interest Revenue
Loss on Disposition of Fixed Assets
Other Revenue - Net
Total Nonoperating Revenues

Income (Loss) Before Contributions and Transfers

Capital Contributions
Transfers In
Transfers Out
Increase (Decrease) in Net Assets

Net Assets - Beginning of Year
Net Assets - End of Year

(Continued)

COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (Cont'd)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Transportation	Publishing Services	Information & Technology
Operating Revenues			
Use of Money and Property	\$ --	\$ --	\$ 932
Charges for Services	13,691	2,990	39,517
Insurance Premiums	--	--	--
Total Operating Revenues	<u>13,691</u>	<u>2,990</u>	<u>40,449</u>
Operating Expenses			
Salaries and Employee Benefits	5,423	1,406	2,445
Services and Supplies	5,150	1,174	11,444
Professional Services	1,455	312	20,498
Operating Leases	10	778	3,619
Insurance Claims	--	--	--
Other Charges	9	--	--
Depreciation	3,170	44	2,809
Total Operating Expenses	<u>15,217</u>	<u>3,714</u>	<u>40,815</u>
Operating Income (Loss)	<u>(1,526)</u>	<u>(724)</u>	<u>(366)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	1	--	43
Interest Revenue	181	54	270
Loss on Disposition of Fixed Assets	(57)	(3)	(23)
Other Revenue - Net	205	248	43
Total Nonoperating Revenues	<u>330</u>	<u>299</u>	<u>333</u>
Income (Loss) Before Contributions and Transfers	(1,196)	(425)	(33)
Capital Contributions	--	--	5,660
Transfers In	1,040	--	--
Transfers Out	--	--	(207)
Increase (Decrease) in Net Assets	<u>(156)</u>	<u>(425)</u>	<u>5,420</u>
Net Assets - Beginning of Year	17,700	1,856	12,218
Net Assets - End of Year	<u>\$ 17,544</u>	<u>\$ 1,431</u>	<u>\$ 17,638</u>



COUNTY OF ORANGE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Total	Self-Insured Benefits	Unemployment Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 56,587	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	94,145	2,740	808
Payments to Suppliers for Goods and Services	(135,370)	(2,448)	(1,338)
Payments to Employees for Services	(10,047)	--	--
Internal Activity - Payments (to) from Other Funds	332	2	--
Cash Received from (Paid to) Interfund Charges	3,485	24	47
Other Receipts (Payments)	(3,394)	--	--
Net Cash Provided (Used) by Operating Activities	<u>5,738</u>	<u>318</u>	<u>(483)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	740	--	--
Transfers Out	(207)	--	--
Intergovernmental Revenues	44	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>577</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(4,409)	--	--
Transfers In	1,040	--	--
Proceeds from Sale of Fixed Assets	138	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(3,231)</u>	<u>--</u>	<u>--</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	4,182	127	214
Net Cash Provided by Investing Activities	<u>4,182</u>	<u>127</u>	<u>214</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,266	445	(269)
Cash Balances - Beginning of Year	126,544	3,817	6,642
Cash Balances - End of Year	<u>\$ 133,810</u>	<u>\$ 4,262</u>	<u>\$ 6,373</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (24,059)	\$ 273	\$ (1,149)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6,025	--	--
Other Revenue - net	1,037	--	--
(Increases) Decreases In:			
Accounts Receivable	(14)	--	--
Due from Other Funds	3,485	24	47
Due from Component Unit	(1)	--	--
Due from Other Governmental Agencies	(117)	--	--
Inventory of Materials and Supplies	34	--	--
Increases (Decreases) In:			
Accounts Payable	4,870	4	595
Salaries and Employee Benefits Payable	60	--	--
Due to Other Funds	332	2	--
Due to Other Governmental Agencies	2	--	--
Insurance Claims Payable	13,943	15	24
Deferred Revenue	(412)	--	--
Compensated Employee Absences Payable	553	--	--
Total Adjustments	<u>29,797</u>	<u>45</u>	<u>666</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,738</u>	<u>\$ 318</u>	<u>\$ (483)</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts			
Pooled Cash/Investments	\$ 133,755	\$ 4,212	\$ 6,373
Imprest Cash Funds	55	50	--
Total Cash and Cash Equivalents	<u>\$ 133,810</u>	<u>\$ 4,262</u>	<u>\$ 6,373</u>

County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk
\$ --	\$ --	\$ --
62,076	28,984	(463)
(57,662)	(22,420)	(14,862)
1	(633)	(682)
6	4	(1)
213	41	977
	295	233
<u>4,634</u>	<u>6,271</u>	<u>(14,798)</u>
740	--	--
--	--	--
--	--	--
<u>740</u>	<u>--</u>	<u>--</u>
--	(5)	(5)
--	--	--
--	--	--
<u>--</u>	<u>(5)</u>	<u>(5)</u>
1,092	514	1,730
<u>1,092</u>	<u>514</u>	<u>1,730</u>
6,466	6,780	(13,073)
32,721	13,194	58,772
<u>\$ 39,187</u>	<u>\$ 19,974</u>	<u>\$ 45,699</u>
\$ 3,533	\$ (11,008)	\$ (13,092)
--	1	1
1	300	241
--	--	--
213	41	977
--	--	--
--	--	--
--	--	--
--	131	784
--	3	(2)
6	4	(1)
--	--	--
881	16,717	(3,694)
--	--	--
--	82	(12)
<u>1,101</u>	<u>17,279</u>	<u>(1,706)</u>
<u>\$ 4,634</u>	<u>\$ 6,271</u>	<u>\$ (14,798)</u>
\$ 39,187	\$ 19,974	\$ 45,694
--	--	5
<u>\$ 39,187</u>	<u>\$ 19,974</u>	<u>\$ 45,699</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
Internal Activity - Payments (to) from Other Funds
Cash Received from (Paid to) Interfund Charges
Other Receipts (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
Transfers In
Proceeds from Sale of Fixed 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 Balances - Beginning of Year
Cash Balances - 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 by Operating Activities:
Depreciation
Other Revenue - net
(Increases) Decreases In:
Accounts Receivable
Due from Other Funds
Due from Component Unit
Due from Other Governmental Agencies
Inventory of Materials and Supplies
Increases (Decreases) In:
Accounts Payable
Salaries and Employee Benefits Payable
Due to Other Funds
Due to Other Governmental Agencies
Insurance Claims Payable
Deferred Revenue
Compensated Employee Absences Payable
Total Adjustments
Net Cash Provided (Used) by Operating Activities

Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts

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

(Continued)

COUNTY OF ORANGE
COMBINING STATEMENT OF CASH FLOWS (Cont'd)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 13,678	\$ 2,978	\$ 39,931
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(6,266)	(1,503)	(28,871)
Payments to Employees for Services	(5,176)	(1,392)	(2,165)
Internal Activity - Payments (to) from Other Funds	(137)	335	123
Cash Received from (Paid to) Interfund Charges	2,274	13	(104)
Other Receipts (Payments)	186	(531)	(3,577)
Net Cash Provided (Used) by Operating Activities	4,559	(100)	5,337
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	--	--	--
Transfers Out	--	--	(207)
Intergovernmental Revenues	1	--	43
Net Cash Provided (Used) by Noncapital Financing Activities	1	--	(164)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(2,787)	(220)	(1,392)
Transfers In	1,040	--	--
Proceeds from Sale of Fixed Assets	138	--	--
Net Cash Used by Capital and Related Financing Activities	(1,609)	(220)	(1,392)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	181	54	270
Net Cash Provided by Investing Activities	181	54	270
Net Increase (Decrease) in Cash and Cash Equivalents	3,132	(266)	4,051
Cash Balances - Beginning of Year	3,914	1,786	5,698
Cash Balances - End of Year	\$ 7,046	\$ 1,520	\$ 9,749
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (1,526)	\$ (724)	\$ (366)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	3,170	44	2,809
Other Revenue - net	205	247	43
(Increases) Decreases In:			
Accounts Receivable	(13)	(1)	--
Due from Other Funds	2,274	13	(104)
Due from Component Unit	--	--	(1)
Due from Other Governmental Agencies	--	(11)	(106)
Inventory of Materials and Supplies	93	(59)	--
Increases (Decreases) In:			
Accounts Payable	246	39	3,071
Salaries and Employee Benefits Payable	7	2	50
Due to Other Funds	(137)	335	123
Due to Other Governmental Agencies	--	2	--
Insurance Claims Payable	--	--	--
Deferred Revenue	--	--	(412)
Compensated Employee Absences Payable	240	13	230
Total Adjustments	6,085	624	5,703
Net Cash Provided (Used) by Operating Activities	\$ 4,559	\$ (100)	\$ 5,337
Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts			
Pooled Cash/Investments	\$ 7,046	\$ 1,520	\$ 9,749
Imprest Cash Funds	--	--	--
Total Cash and Cash Equivalents	\$ 7,046	\$ 1,520	\$ 9,749



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.

Trust 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.

Investment Trust

Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of separate legal entities, other than school districts, which participate in the County Treasurer's external investment pool.

Educational Investment Pool

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

Pension (and Other Employee Benefits) Trust

Defined Benefit Retirement Plan

This fund is used to account for a retirement plan for employees performing services on the basis of less than half-time or as extra help. The eligible employees of this plan are not covered by the Orange County Employees Retirement System.

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.

Clearing and Revolving Funds

This group of funds is used to facilitate the cashing of County checks at banks and as a clearing account to accumulate and hold certain monies until disbursement to the ultimate recipient.

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.

FIDUCIARY FUNDS (Cont'd)

Agency Funds (Cont'd)

Trial Court Operations

These funds are used to account for certain fees and fines collected on behalf of the Superior Court of California, County of Orange and five Justice Centers. Trial Court Operations became a responsibility of the State of California effective July 1, 1997, pursuant to the Lockyer-Isenberg Trial Court Funding Act of 1997, Chapter 850 of the 1997 Statutes (Assembly Bill 233).

**COUNTY OF ORANGE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002
(In Thousands)**

	Total	Private-Purpose Trust	Investment Trust Funds		Pension Trust and Other Employee Benefits
			Investment Pool	Educational Investment Pool	Defined Benefit Retirement Plan
ASSETS					
Pooled Cash/Investments	\$ 2,119,366	\$ 54,578	\$ 188,875	\$ 1,751,262	\$ 4,128
Imprest Cash Funds	110	100	--	--	--
Restricted Cash and Investments with Trustee	28,497	2,857	--	--	--
Investments	1,343	--	--	--	--
Deposits In-Lieu of Cash	14,710	499	--	--	--
Receivables					
Accounts	8,829	7	--	--	--
Taxes	140,679	--	--	--	--
Interest/Dividends	17,819	--	--	7,319	--
Allowance For Uncollectible Receivables	(4)	(4)	--	--	--
Due from Other Funds	1,354	272	896	1	24
Due from Other Governmental Agencies	39,685	--	501	--	--
Notes Receivable	6,662	--	--	--	--
Total Assets	<u>\$ 2,379,050</u>	<u>\$ 58,309</u>	<u>\$ 190,272</u>	<u>\$ 1,758,582</u>	<u>\$ 4,152</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	355	--	--	--	--
Monies Held for Others	82,720	--	--	--	--
Due to Other Funds	10,298	106	335	--	--
Due to Component Unit	734	--	--	--	--
Due to Other Governmental Agencies	72,204	--	--	--	--
Unapportioned Taxes	201,865	--	--	--	--
Total Liabilities	<u>368,176</u>	<u>106</u>	<u>335</u>	<u>--</u>	<u>--</u>
Net Assets					
Held in Trust	<u>2,010,874</u>	<u>58,203</u>	<u>189,937</u>	<u>1,758,582</u>	<u>4,152</u>
Total Net Assets	<u>2,010,874</u>	<u>58,203</u>	<u>189,937</u>	<u>1,758,582</u>	<u>4,152</u>
Total Liabilities and Net Assets	<u>\$ 2,379,050</u>	<u>\$ 58,309</u>	<u>\$ 190,272</u>	<u>\$ 1,758,582</u>	<u>\$ 4,152</u>

Agency Funds

Unapportioned Tax and Interest Funds	Clearing and Revolving Funds	Departmental Funds	Trial Court Operations	
\$ 72,513	\$ 578	\$ 32,203	\$ 15,229	ASSETS
--	--	--	10	Pooled Cash/Investments
--	--	25,640	--	Imprest Cash Funds
--	--	1,343	--	Restricted Cash and Investments with Trustee
--	--	14,211	--	Investments
8,798	24	--	--	Deposits In-Lieu of Cash
140,575	--	104	--	Receivables
10,473	--	27	--	Accounts
--	--	--	--	Taxes
--	--	--	--	Interest/Dividends
266	--	161	--	Allowance For Uncollectible Receivables
--	--	38,918	--	Due from Other Funds
--	--	6,662	--	Due from Other Governmental Agencies
<u>\$ 232,625</u>	<u>\$ 602</u>	<u>\$ 119,269</u>	<u>\$ 15,239</u>	Notes Receivable
				Total Assets
				LIABILITIES AND NET ASSETS
				Liabilities
\$ --	\$ --	\$ --	\$ --	Accounts Payable
--	--	--	--	Salaries and Employee Benefits Payable
--	--	355	--	Deposits from Others
1,135	602	72,422	8,561	Monies Held for Others
9,738	--	119	--	Due to Other Funds
734	--	--	--	Due to Component Unit
19,153	--	46,373	6,678	Due to Other Governmental Agencies
201,865	--	--	--	Unapportioned Taxes
<u>232,625</u>	<u>602</u>	<u>119,269</u>	<u>15,239</u>	Total Liabilities
				Net Assets
--	--	--	--	Held in Trust
--	--	--	--	Total Net Assets
<u>\$ 232,625</u>	<u>\$ 602</u>	<u>\$ 119,269</u>	<u>\$ 15,239</u>	Total Liabilities and Net Assets

COUNTY OF ORANGE
COMBINING STATEMENT OF CHANGES IN NET ASSETS
PRIVATE PURPOSE, INVESTMENT AND PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

	Investment Trust Funds			Pension Trust and Other Employee Benefits
	Private-Purpose Trust	Investment Pool	Educational Investment Pool	Defined Benefit Retirement Plan
Additions:				
Employee Contributions	\$ --	\$ --	\$ --	\$ 1,155
Contributions to Pooled Investments	--	449,967	5,597,741	--
Contributions to Private-Purpose Trust	23,409	--	--	--
Interest and Investment Income	1,133	11,083	38,814	118
Less: Investment Expense	(44)	(139)	(1,683)	(5)
Total Additions	<u>24,498</u>	<u>460,911</u>	<u>5,634,872</u>	<u>1,268</u>
Deductions:				
Refunds of Prior Contributions	--	--	--	584
Distributions from Pooled Investments	--	439,525	5,262,207	--
Distributions from Private-Purpose Trust	71	--	--	--
Total Deductions	<u>71</u>	<u>439,525</u>	<u>5,262,207</u>	<u>584</u>
Change in Net Assets Held in Trust For:				
Private-Purpose Trust	24,427	--	--	--
External Investment Pool	--	21,386	372,665	--
Employees' Retirement	--	--	--	684
Net Assets Held in Trust, Beginning of Year, as restated	<u>33,776</u>	<u>168,551</u>	<u>1,385,917</u>	<u>3,468</u>
Net Assets Held in Trust, End of Year	<u>\$ 58,203</u>	<u>\$ 189,937</u>	<u>\$ 1,758,582</u>	<u>\$ 4,152</u>



COUNTY OF ORANGE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

<u>UNAPPORTIONED TAX AND INTEREST FUNDS</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 88,650	\$ 3,725,870	\$ 3,742,007	\$ 72,513
Receivables				
Accounts	10,980	8,792	10,974	8,798
Taxes	151,151	8,942,402	8,952,978	140,575
Interest	27,144	76,797	93,468	10,473
Due from Other Funds	--	22,806	22,806	--
Due from Other Governmental Agencies	182	852	768	266
Total Assets	<u>\$ 278,107</u>	<u>\$ 12,777,519</u>	<u>\$ 12,823,001</u>	<u>\$ 232,625</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ --	\$ 64,908	\$ 64,908	\$ --
Monies Held for Others	2,549	16,817	18,231	1,135
Due to Other Funds	26,244	104,011	120,517	9,738
Due to Component Unit	1,254	734	1,254	734
Due to Other Governmental Agencies	17,980	56,552	55,379	19,153
Unapportioned Taxes	230,080	3,711,194	3,739,409	201,865
Total Liabilities	<u>\$ 278,107</u>	<u>\$ 3,954,216</u>	<u>\$ 3,999,698</u>	<u>\$ 232,625</u>

CLEARING AND REVOLVING FUNDS

<u>ASSETS</u>				
Pooled Cash/Investments	\$ 419	\$ 389,173	\$ 389,014	\$ 578
Restricted Cash and Investments with Trustee	2,794	--	2,794	--
Receivables				
Accounts	38	24	38	24
Allowance for Uncollectible Receivables	(8)	8	--	--
Due from Other Funds	4,943	--	4,943	--
Total Assets	<u>\$ 8,186</u>	<u>\$ 389,205</u>	<u>\$ 396,789</u>	<u>\$ 602</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 411	\$ 804	\$ 1,215	\$ --
Deposits From Others	2,794	--	2,794	--
Monies Held for Others	4,981	192,140	196,519	602
Total Liabilities	<u>\$ 8,186</u>	<u>\$ 192,944</u>	<u>\$ 200,528</u>	<u>\$ 602</u>

<u>DEPARTMENTAL FUNDS</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 328,519	\$ 1,882,584	\$ 2,178,900	\$ 32,203
Imprest Cash Funds	100	25	125	--
Restricted Cash and Investments with Trustee	42,571	27,390	44,321	25,640
Investments	1,271	1,546	1,474	1,343
Deposits In-Lieu of Cash	14,320	23,330	23,439	14,211
Receivables				
Accounts	482	90	572	--
Taxes	167	198	261	104
Interest	26	27	26	27
Deposits	--	2	2	--
Allowance for Uncollectible Recievables	(3)	22	19	--
Due from Other Funds	1,348	581,087	582,274	161
Due from Other Governmental Agencies	67,275	78,883	107,240	38,918
Notes Receivable	7,218	253	809	6,662
Total Assets	<u>\$ 463,294</u>	<u>\$ 2,595,437</u>	<u>\$ 2,939,462</u>	<u>\$ 119,269</u>

LIABILITIES

Accounts Payable	\$ 3,270	\$ 304,943	\$ 308,213	\$ --
Salaries and Employee Benefits Payable	40	2,200	2,240	--
Deposits From Others	6,819	33,924	40,388	355
Monies Held for Others	310,982	1,595,788	1,834,348	72,422
Due to Other Funds	133,890	189,077	322,848	119
Due to Other Governmental Agencies	8,293	721,753	683,673	46,373
Total Liabilities	<u>\$ 463,294</u>	<u>\$ 2,847,685</u>	<u>\$ 3,191,710</u>	<u>\$ 119,269</u>

TRIAL COURT OPERATIONS

ASSETS

Pooled Cash/Investments	\$ --	\$ 15,229	\$ --	\$ 15,229
Imprest Cash	--	35	25	10
Due from Other Funds	--	13,639	13,639	--
Total Assets	<u>\$ --</u>	<u>\$ 28,903</u>	<u>\$ 13,664</u>	<u>\$ 15,239</u>

LIABILITIES

Accounts Payable	\$ --	\$ 56,975	\$ 56,975	\$ --
Monies Held for Others	--	148,691	140,130	8,561
Due to Other Funds	--	5,750	5,750	--
Due to Other Governmental Agencies	--	13,915	7,237	6,678
Total Liabilities	<u>\$ --</u>	<u>\$ 225,331</u>	<u>\$ 210,092</u>	<u>\$ 15,239</u>

(Continued)

COUNTY OF ORANGE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(In Thousands)

<u>TOTAL - ALL AGENCY FUNDS</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 417,588	\$ 6,012,856	\$ 6,309,921	\$ 120,523
Imprest Cash Funds	100	60	150	10
Restricted Cash and Investments with Trustee	45,365	27,390	47,115	25,640
Investments	1,271	1,546	1,474	1,343
Deposits In-Lieu of Cash	14,320	23,330	23,439	14,211
Receivables				
Accounts	11,500	8,906	11,584	8,822
Taxes	151,318	8,942,600	8,953,239	140,679
Interest	27,170	76,824	93,494	10,500
Deposits	--	2	2	--
Allowance for Uncollectible Receivables	(11)	30	19	--
Due from Other Funds	6,291	617,532	623,662	161
Due from Other Governmental Agencies	67,457	79,735	108,008	39,184
Notes Receivable	7,218	253	809	6,662
Total Assets	<u>\$ 749,587</u>	<u>\$ 15,791,064</u>	<u>\$ 16,172,916</u>	<u>\$ 367,735</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,681	\$ 427,630	\$ 431,311	\$ --
Salaries and Employee Benefits Payable	40	2,200	2,240	--
Deposits from Others	9,613	33,924	43,182	355
Monies Held for Others	318,512	1,953,436	2,189,228	82,720
Due to Other Funds	160,134	298,838	449,115	9,857
Due to Component Unit	1,254	734	1,254	734
Due to Other Governmental Agencies	26,273	792,220	746,289	72,204
Unapportioned Taxes	230,080	3,711,194	3,739,409	201,865
Total Liabilities	<u>\$ 749,587</u>	<u>\$ 7,220,176</u>	<u>\$ 7,602,028</u>	<u>\$ 367,735</u>

STATISTICAL SECTION
(UNAUDITED)

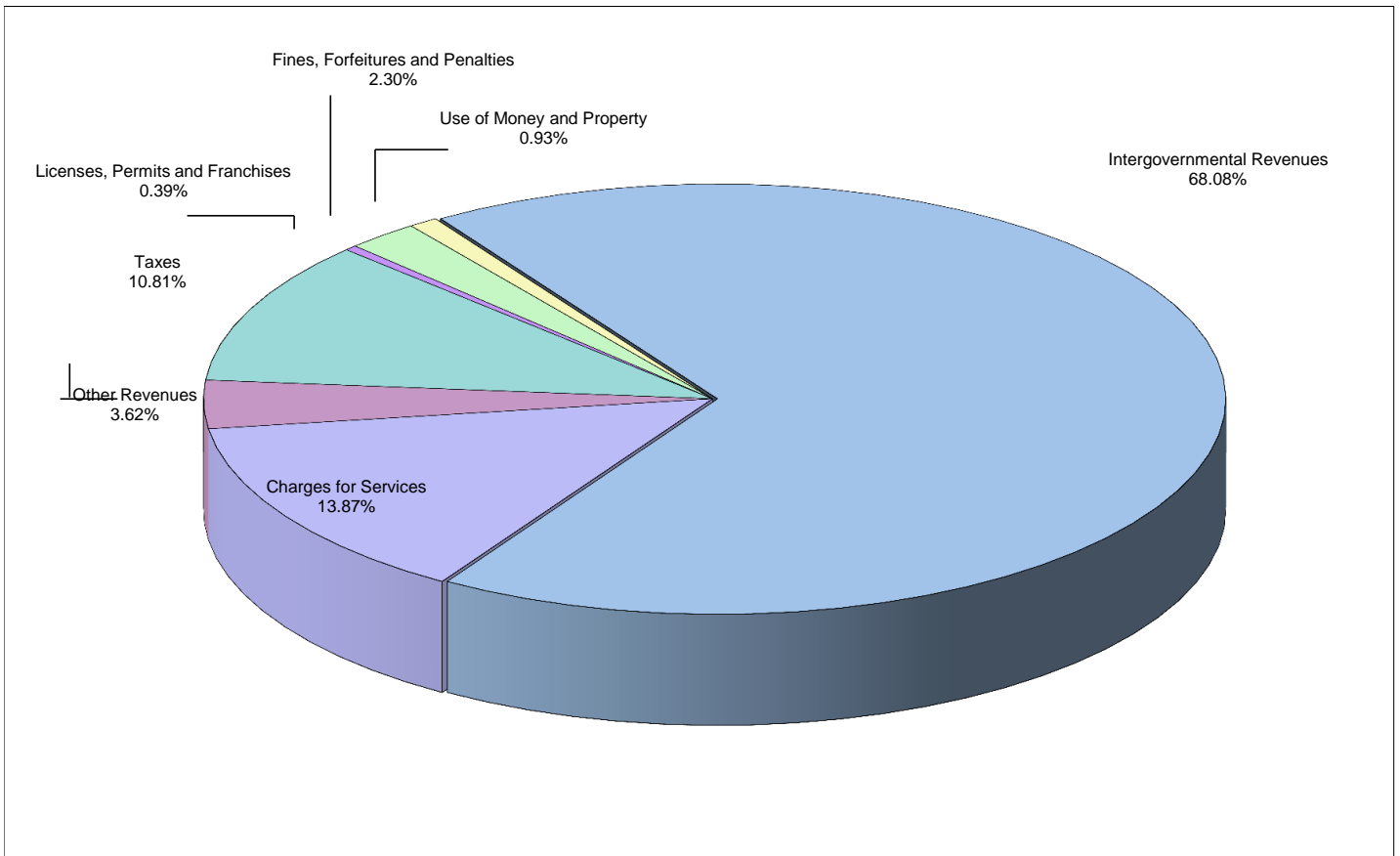
Statistical Section disclosures differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These schedules reflect social and economic data and financial trends of the County.

A table denoting Special Assessment Billings and Collections is not included herein because the County is not obligated in any manner for special assessment debt.

**COUNTY OF ORANGE
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GENERAL FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)**

Fiscal Year	Taxes	Licenses, Permits and Franchises	Fines, Forfeitures and Penalties	Use of Money and Property	Investment Pool Loss	Inter-Governmental Revenues	Charges for Services	Other Revenues	Total Revenues
1992-93	\$ 261,095	\$ 5,441	\$ 10,838	\$ 70,571	\$ --	\$ 742,762	\$ 207,540	\$ 27,372	\$ 1,325,619
1993-94	168,655	5,861	35,712	81,107	--	916,075	208,771	35,256	1,451,437
1994-95	110,123	5,612	39,600	89,291	(24,099)	984,801	226,142	44,322	1,475,792
1995-96	109,735	6,195	26,624	42,727	--	921,034	249,033	64,831	1,420,179
1996-97	158,782	6,388	16,797	14,578	--	924,068	250,518	85,524	1,456,655
1997-98	168,142	6,642	31,588	16,621	--	931,203	205,329	47,263	1,406,788
1998-99	178,037	7,185	37,628	15,021	--	993,162	223,439	71,223	1,525,695
1999-00	191,377	6,823	37,856	25,688	--	1,078,771	233,485	77,423	1,651,423
2000-01	200,836	6,853	44,365	29,277	--	1,252,681	248,113	69,267	1,851,392
2001-02	209,481	7,488	44,648	18,079	--	1,319,000	268,648	70,175	1,937,519

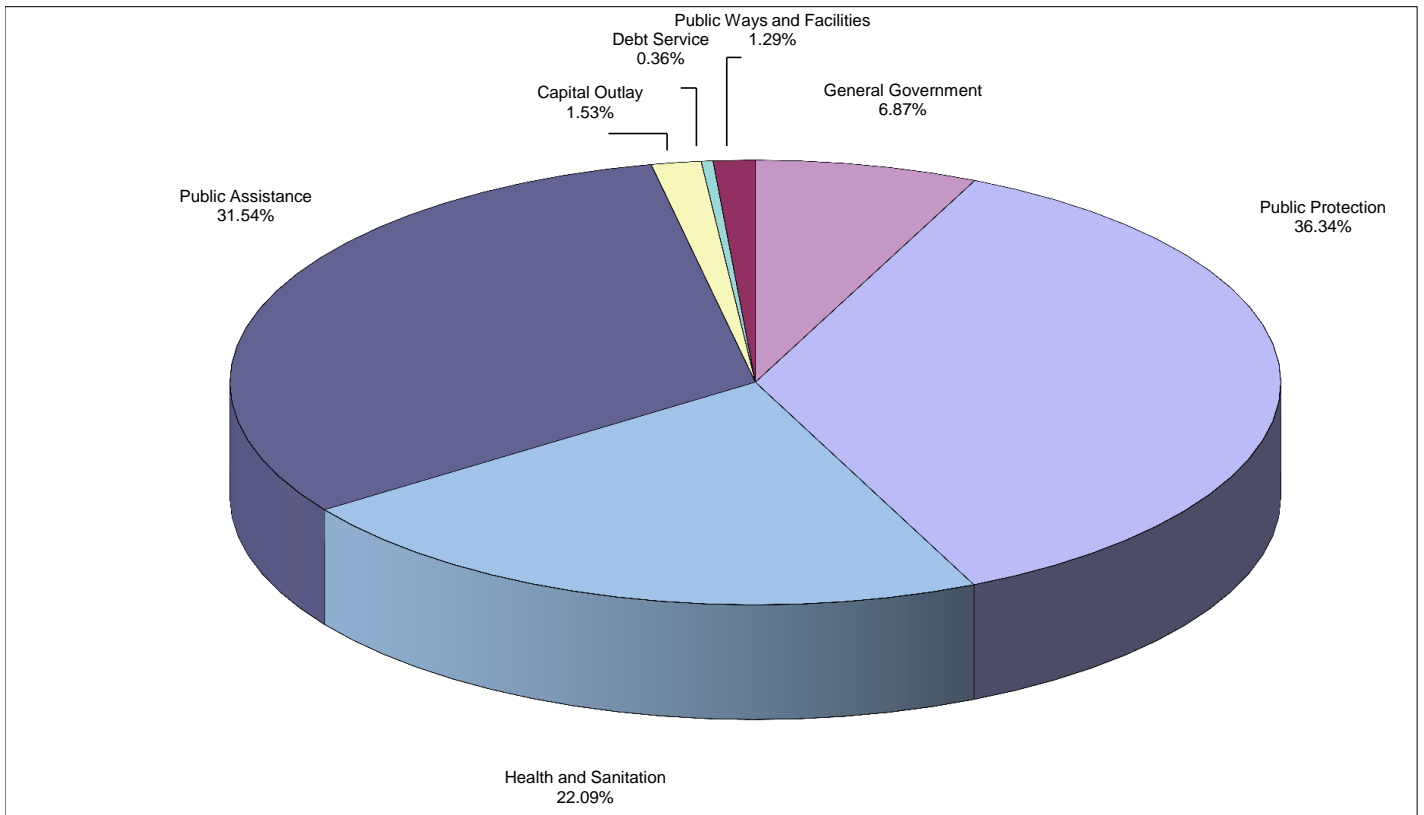
**GENERAL GOVERNMENTAL REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**



**COUNTY OF ORANGE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)**

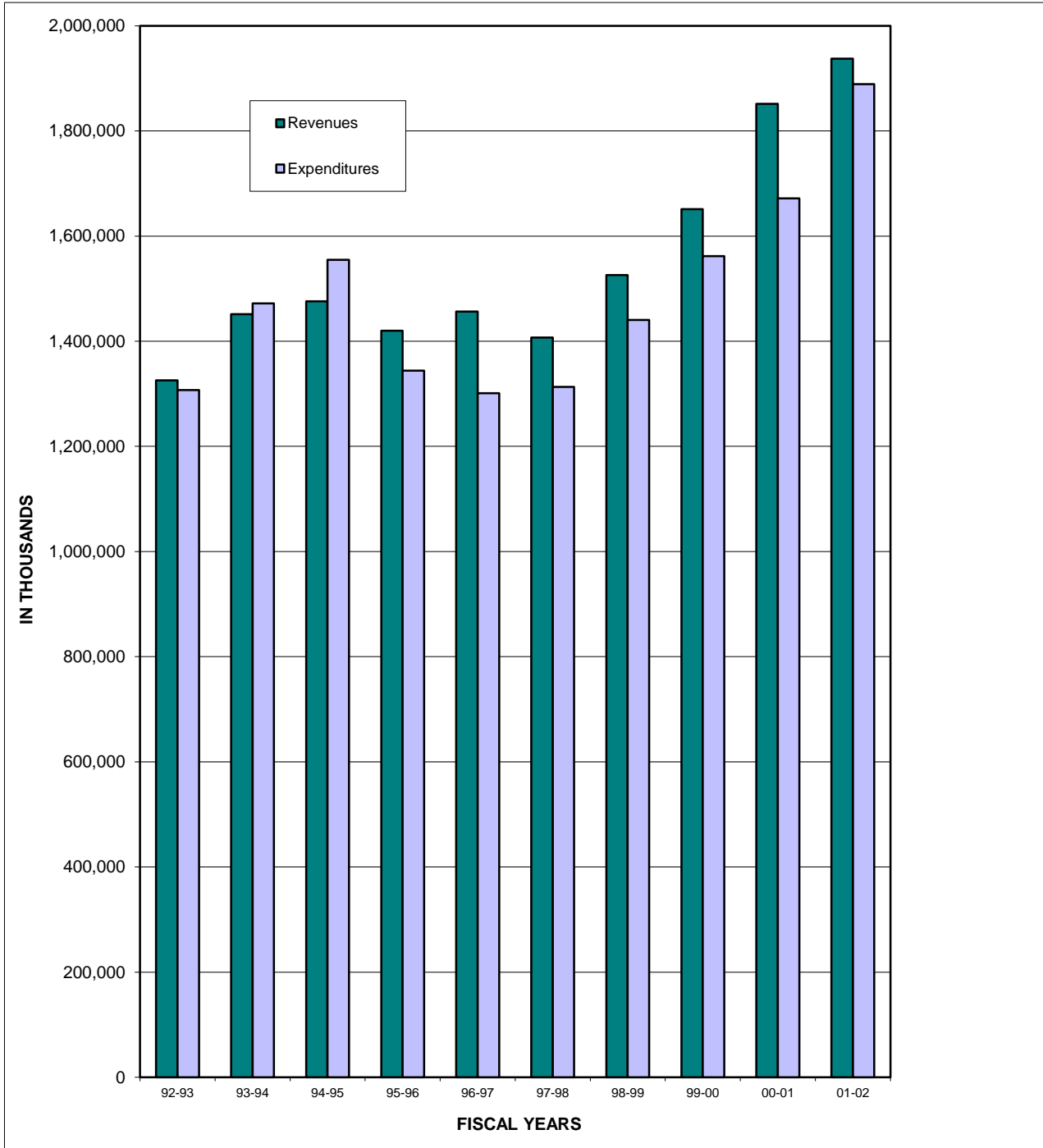
Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Capital Outlay	Debt Service	Total Expenditures
1992-93	\$ 116,959	\$ 465,026	\$ --	\$ 216,306	\$ 481,192	\$ 19,969	\$ 7,533	\$ 1,306,985
1993-94	178,026	502,269	--	225,356	508,691	15,709	41,959	1,472,010
1994-95	126,065	514,340	--	222,733	533,194	22,935	135,806	1,555,073
1995-96	123,511	433,499	--	230,104	514,122	11,759	31,335	1,344,330
1996-97	103,371	455,608	--	248,030	482,080	11,293	959	1,301,341
1997-98	127,457	444,780	21,515	257,661	444,671	16,734	520	1,313,338
1998-99	108,074	547,084	21,283	283,014	453,923	19,404	7,673	1,440,455
1999-00	107,525	593,713	24,734	308,379	479,487	39,282	8,736	1,561,856
2000-01	111,635	633,515	26,707	352,972	516,572	23,612	6,743	1,671,756
2001-02	129,710	686,119	24,314	417,373	595,628	28,979	6,854	1,888,977

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**



Source: Auditor-Controller, County of Orange.

COUNTY OF ORANGE
COMPARISON OF GENERAL GOVERNMENTAL REVENUES TO EXPENDITURES
GENERAL FUND
LAST TEN FISCAL YEARS
(Dollars in Thousands)



Source: Auditor-Controller, County of Orange.

**COUNTY OF ORANGE
PROPERTY TAX LEVIES AND COLLECTIONS
GENERAL FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)**

Fiscal Year	Secured Tax Levy	Unsecured Tax Levy	Total Tax Levy	Total Tax Collections through June 30	Outstanding Delinquent Taxes	Ratio of Delinquency to Tax Levy
1992-93	\$ 224,726	\$ 17,613	\$ 242,339	\$ 231,105	\$ 11,234	4.64%
1993-94 *	93,369	6,336	99,705	96,507	3,198	3.21%
1994-95	91,911	6,284	98,195	95,376	2,819	2.87%
1995-96	89,886	5,846	95,732	93,712	2,020	2.11%
1996-97	90,732	5,600	96,332	94,320	2,012	2.09%
1997-98	92,924	6,138	99,062	97,471	1,591	1.61%
1998-99	97,631	6,204	103,835	102,145	1,690	1.63%
1999-00	105,999	6,580	112,579	111,039	1,539	1.37%
2000-01	113,939	6,694	120,633	118,713	1,920	1.59%
2001-02	123,512	7,058	130,570	128,627	1,942	1.49%

This schedule reflects delinquent taxes on a pre-teeter basis.

* Beginning in 1993-94, levies and collections decreased due to a shift of property tax revenues from cities, counties, and special districts to education. In 1993, the Orange County Street Lighting Assessment District (OCSLAD) dissolved; therefore, the County General fund includes monies resulting from the dissolution of the OCSLAD.

Source: Auditor-Controller, County of Orange.

COUNTY OF ORANGE
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Dollars In Thousands)

Fiscal Year	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value
1992-93	\$ 165,318,080	\$ 13,216,054	\$ 178,534,134
1993-94	166,543,038	12,218,375	178,761,413
1994-95	165,693,754	11,281,190	176,974,944
1995-96	165,339,529	11,417,630	176,757,159
1996-97	165,537,053	11,763,610	177,300,663
1997-98	169,865,047	12,419,270	182,284,317
1998-99	179,516,778	13,108,961	192,625,739
1999-00	195,323,009	13,813,464	209,136,473
2000-01	213,564,809	14,983,492	228,548,301
2001-02	233,481,525	15,485,055	248,966,580

Assessed value is stated at taxable full cash value.

Source: Auditor-Controller, County of Orange.

COUNTY OF ORANGE
AVERAGE PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
TAX RATES (PER \$100 OF ASSESSED VALUE)
TEN FISCAL YEARS

Year Ended June 30	County-Wide Basic Levy - Operating	County, Cities, Schools, & Special Districts- Miscellaneous Debt Service	Sanitation Districts- Debt Service	California Water Districts- Debt Service	Total
1994	1.00000	0.03276	0.00104	0.21744	1.25124
1995	1.00000	0.02956	0.00007	0.30129	1.33092
1996	1.00000	0.02770	0.00018	0.20573	1.23361
1997	1.00000	0.02499	0.00009	0.19497	1.22005
1998	1.00000	0.02421	0.00009	0.22923	1.25353
1999	1.00000	0.02281	0.00020	0.15771	1.18072
2000	1.00000	0.02206	0.00000	0.13342	1.15548
2001	1.00000	0.02427	0.00000	0.11645	1.14072
2002	1.00000	0.01902	0.00000	0.10925	1.12827
2003	1.00000	0.02968	0.00000	0.09554	1.12522

Tax rates shown are based on a County-Wide average. Most areas of Orange County only have the Basic Levy and Miscellaneous Debt Service tax rates, while South Orange County has these and California Water District tax rates.

Source: Auditor-Controller, County of Orange.

**COUNTY OF ORANGE
PRINCIPAL TAXPAYERS
FOR THE YEAR ENDED JUNE 30, 2002
(Dollars In Thousands)**

(A) <u>Ten Largest Secured Taxpayers</u>	(B) <u>Type of Business</u>	(A) Secured Taxes Paid	Percentage of Secured Taxes Paid to Total Secured Tax Collections (\$2,617,781) (A)
The Irvine Company	Property Management and Development	\$ 60,511	2.31 %
Walt Disney World Company	Entertainment	35,146	1.34
Pacific Bell	Public Utility	12,147	0.46
Southern California Edison Company	Public Utility	11,991	0.46
Rockwell Semiconductor Systems	Manufacturing	5,098	0.19
United Laguna Hills	Real Estate Development	5,068	0.19
Irvine Company of W VA	Real Estate Development	4,902	0.19
McDonnell Douglas Corporation	Aerospace	4,360	0.17
Boeing North American	Aerospace	3,394	0.13
AES Huntington Beach	Power Plant	3,317	0.13
		<u>\$ 145,934</u>	<u>5.57 %</u>

(A) <u>Ten Largest Unsecured Taxpayers</u>	(B) <u>Type of Business</u>	(A) Unsecured Taxes Paid	Percentage of Unsecured Taxes Paid to Total Unsecured Tax Collections (\$167,412) (A)
United Airlines Incorporated	Transportation	\$ 3,792	2.27 %
Cox Communications Orange	Cable Television	3,058	1.83
American Airlines Incorporated	Transportation	2,180	1.30
McDonnell Douglas Corporation	Aerospace	1,665	0.99
Minnesota Mining & Manufacturing	Manufacturing	1,247	0.74
Walt Disney Company	Entertainment	1,158	0.69
Exodus Communications Incorporated	Communications	1,067	0.64
South Coast Plaza	Retail	1,032	0.62
KBL Cable Systems of the South	Cable Communications	963	0.58
Unisys Corporation	Information Technology	893	0.53
		<u>\$ 17,055</u>	<u>10.19 %</u>

Sources:

(A) Treasurer-Tax Collector, County of Orange.

(B) Assessor, County of Orange.

COUNTY OF ORANGE
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Dollars In Thousands Except As Noted)

Fiscal Year	(1, A) Population	(2, B) Assessed Value	(3, B) Gross General Obligation Bonded Debt	(4) Less Equity In Debt Service Funds	Net General Obligation Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	(5) Net General Obligation Bonded Debt Per Capita
1992-93	2,557	\$ 178,534,134	\$ 4,585	\$ 1,033	\$ 3,552	0.002 %	\$ 1.39
1993-94	2,597	178,761,413	3,195	1,084	2,111	0.001	0.81
1994-95	2,641	176,974,944	1,795	801	994	0.001	0.38
1995-96	2,624	176,757,159	395	190	205	0.000	0.08
1996-97	2,659	177,300,663	200	240	-- *	0.000	0.00
1997-98	2,722	182,284,317	--	39	-- *	0.000	0.00
1998-99	2,776	192,625,739	--	43	-- *	0.000	0.00
1999-00	2,828	209,136,473	--	--	-- *	0.000	0.00
2000-01	2,926	228,548,301	--	--	-- *	0.000	0.00
2001-02	2,940	248,966,580	--	--	-- *	0.000	0.00

- (1) Population is given in thousands at January 1 of the fiscal years listed.
(2) Assessed Value is stated at taxable full cash value.
(3) Gross Bonded Debt includes the bonded indebtedness of County Improvement Serial Bonds.
(4) Equity in Debt Service Fund includes County Improvement Serial Bonds.
(5) Not in thousands of dollars.
* Adjusted to zero.

Sources:

- (A) Center for Demographic Research, California State University Fullerton.
(B) Auditor-Controller, County of Orange.

**COUNTY OF ORANGE
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(Dollars In Thousands Except As Noted)**

Fiscal Year	(1) Assessed Value	(2) Legal Debt Limit	(3) Net General Obligation Bonded Debt	(4) Legal Debt Margin
1992-93	\$ 178,534,134	\$ 2,231,677	\$ 3,552	\$ 2,228,125
1993-94	178,761,413	2,234,518	2,111	2,232,407
1994-95	176,974,944	2,212,187	994	2,211,193
1995-96	176,757,159	2,209,464	205	2,209,259
1996-97	177,300,663	2,216,258	-- *	2,216,258
1997-98	182,284,317	2,278,554	-- *	2,278,554
1998-99	192,625,739	2,407,822	-- *	2,407,822
1999-00	209,136,473	2,614,206	-- *	2,614,206
2000-01	228,548,301	2,856,854	-- *	2,856,854
2001-02	248,966,580	3,112,082	-- *	3,112,082

(1) Assessed Value is stated at taxable full cash value.

(2) Legal Debt Limit is 1.25% of Assessed Value.

(3) The calculation for Net General Obligation Bonded Debt is found on prior page.

(4) Legal Debt Margin is computed by subtracting Net Bonded Debt from the Legal Debt Limit.

* Adjusted to zero.

Source: Auditor-Controller, County of Orange.

COUNTY OF ORANGE
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
GENERAL FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)

Fiscal Year	Principal	Interest	(1) Total Debt Service Expenditures	(2) Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1992-93	\$ 1,390	\$ 162	\$ 1,552	\$ 1,306,985	0.119
1993-94	1,390	116	1,506	1,472,010	0.102
1994-95	1,400	58	1,458	1,555,073	0.094
1995-96	1,400	33	1,433	1,344,330	0.107
1996-97	195	5	200	1,301,341	0.015
1997-98	200	2	202	1,313,338	0.015
1998-99	--	--	--	1,440,455	0.000
1999-00	--	--	--	1,561,856	0.000
2000-01	--	--	--	1,671,756	0.000
2001-02	--	--	--	1,888,977	0.000

(1) Total Debt Service Expenditures includes the principal and interest payments for the bonded indebtedness of County Improvement Serial Bonds.

(2) Total General Governmental Expenditures are those of the General Fund, as reported in the audited financial statements of the County of Orange.

Source: Auditor-Controller, County of Orange.

COUNTY OF ORANGE
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2002
(Dollars In Thousands)

2001-02 Assessed Valuation	\$	248,966,580	(includes unitary utility valuation)
Redevelopment Incremental Valuation		20,470,202	
Adjusted Assessed Valuation	\$	<u>228,496,378</u>	

<u>Direct Tax, Assessment and Other Debt:</u>	<u>Applicable</u>	<u>June 30, 2002</u>
Orange County Teeter Plan Obligations (Direct Debt)	100.000 %	\$ 124,425 (a)
Orange County General Fund Obligations (Direct Debt)	100.000	1,015,889 (1)
Orange County Pension Obligations (Direct Debt)	100.000	<u>134,612 (1)</u>
Total Direct Tax, Assessment and Other Debt		\$ 1,274,926

<u>Overlapping Tax, Assessment and Other Debt</u>		
Metropolitan Water District	21.159 %	106,446 (a)
North Orange County Joint Community College District	97.246	135,172 (a)
Unified School Districts	100.000	228,502 (a)
Anaheim Union High School District	100.000	92,000 (a)
School Districts	100.000	56,515 (a)
Irvine Ranch Water District Improvement Districts	100.000	261,412 (a)
Moulton-Niguel Water District Improvement Districts	100.000	70,627 (a)
Santa Margarita Water District Improvement Districts	100.000	219,590 (a)
Other Water Districts	100.000	15,450 (a)
Cities	100.000	36,460 (a)
Orange County Community Facilities Districts	100.000	587,375 (a)
Other Community Facilities Districts	100.000	932,284 (a)
City and Special District 1915 Act Bonds	100.000	862,962 (a)
County 1915 Act Bonds	100.000	119,956 (a)
Orange County Board of Education Certificates of Participation	100.000	20,000
Orange County Transit Authority	100.000	7,905
Orange County Water District Certificates of Participation	100.000	214,200
Municipal Water District of Orange Co. (MWDOC) Water Facilities Corporation	100.000	53,695
Orange County Sanitation District Certificates of Participation	100.000	162,200
Community College District Certificates of Participation	100.000	59,675
Unified School District Certificates of Participation	100.000	149,366
High School District Certificates of Participation	90.337-100.000	33,107
School District Certificates of Participation	100.000	28,310
Irvine Ranch Water District Certificates of Participation	100.000	52,700
Moulton-Niguel Water District Certificates of Participation	100.000	37,405
Other Special District General Fund Obligations	100.000	35,095
City of Anaheim General Fund Obligations	100.000	702,845
Other City General Fund Obligations	100.000	<u>559,423</u>
Total Gross Overlapping Tax, Assessment and Other Bonded Debt		5,840,677
Less: City of Seal Beach self-supporting bonds		40 (b)
Orange County Transit Authority (80% self-supporting)		6,324
Orange County Water District Certificates of Participation (100% self-supporting)		214,200
MWDOC Water Facilities Corporation (100% self-supporting)		53,695
City of Anaheim self-supporting obligations (100% self-supporting)		661,160
Other city authority self-supporting bonds		<u>24,138</u>
Total Net Overlapping Tax, Assessment and Other Bonded Debt		4,881,120
Gross Combined Total Debt		\$ 7,115,603 (2)
Net Combined Total Direct and Overlapping Bonded Debt		<u>\$ 6,156,046</u>

(1) Excludes accreted values. The County currently has General Fund and Pension Obligations that include capital appreciation bonds.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2001-02 Assessed Valuation:

Direct Debt	\$124,425	0.05 %
Total Gross Direct and Overlapping Tax and Assessment Debt	Σ of (a) = \$ 3,849,176	1.55 %
Total Net Direct and Overlapping Tax and Assessment Debt	Σ of (a) - (b) = \$ 3,849,136	1.55 %

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt	\$1,274,926	0.56 %
Gross Combined Total Debt		3.11 %
Net Combined Total Debt		2.69 %

State School Building Aid Repayable as of June 30, 2002: \$ 24,796

Source: California Municipal Statistics, Inc.

COUNTY OF ORANGE
REVENUE BOND COVERAGE - AIRPORT ENTERPRISE FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)

Year Ended June 30	(A) Gross Revenue	(A) Operating Expenses	Net Revenue Available for Debt Service	(B) Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993	\$ 62,760	\$ 38,703	\$ 24,057	\$ 1,245	\$ 19,071	\$ 20,316	1.2
1994	65,850	35,729	30,121	1,525	18,191	19,716 (1)	1.5
1995	67,163	38,477	28,686	2,725	17,681	20,406	1.4
1996	66,304	38,824	27,480	3,285	17,473	20,758	1.3
1997	69,554	41,266	28,288	4,805	18,726	23,531 (2,3)	1.2
1998	71,220	42,055	29,165	4,980	11,603	16,583 (4)	1.8
1999	69,097	43,273	25,824	8,770	11,197	19,967	1.3
2000	76,263	45,077	31,186	9,315	10,768	20,083	1.6
2001	82,101	47,640	34,461	9,680	10,290	19,970	1.7
2002	82,004	59,102	22,902	10,360	9,736	20,096	1.1

(1) On July 1, 1993, the Airport Enterprise Fund refunded \$68,440 of the 1987 revenue bonds and issued \$79,755 in revenue bonds (1993 issue). Interest and principal payments are included in this schedule.

(2) On July 1, 1996, the Airport Enterprise Fund fully redeemed the outstanding 1990 Certificates of Participation utilizing existing Airport reserves.

(3) On April 2, 1997, the Airport Enterprise Fund refunded \$131,490 of the 1987 revenue bonds and issued \$135,050 in revenue bonds (1997 issue). Interest and principal payments are included in this schedule.

(4) On July 1, 1997, the Airport Enterprise Fund fully redeemed the outstanding 1987 revenue bonds utilizing existing Airport reserves.

Sources:

(A) Airport Enterprise Fund, as reported in the audited financial statements of the County of Orange.

(B) John Wayne Airport Accounting.

COUNTY OF ORANGE
REVENUE BOND COVERAGE - WASTE MANAGEMENT ENTERPRISE FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)

Year Ended June 30	(A) Gross Revenue	(A) Operating Expenses	Net Revenue Available for Debt Service	(B) Debt Service Requirements			Coverage
				Principal	Interest	Total	
1993	\$ 94,833	\$ 48,143	\$ 46,690	\$ 1,645	\$ 6,596	\$ 8,241	5.7
1994	99,436	60,811	38,625	1,755	6,484	8,239	4.7
1995	78,781	48,698	30,083	1,880	6,362	8,242	3.6
1996	88,745	52,136	36,609	2,010	6,228	8,238	4.4
1997	93,709	47,798	45,911	2,160	6,084	8,244	5.6
1998	101,053	58,066	42,987	--	2,411	2,411 (1)	17.8
1999	103,834	56,297	47,537	3,220	4,186	7,406	6.4
2000	127,231	65,712	61,519	3,375	3,994	7,369	8.3
2001	120,318	72,256	48,062	3,545	4,072	7,617	6.3
2002	115,873	68,035	47,838	3,730	3,853	7,583	6.3

(1) On November 18, 1997, the revenue bonds issued on December 1, 1988, were refunded by the issuance of the 1997 Orange County Public Financing Authority revenue bonds.

Sources:

- (A) Integrated Waste Management Fund, as reported in the audited financial statements of the County of Orange.
- (B) County Executive Office/Public Finance Accounting.

**COUNTY OF ORANGE
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Year	(A) Population Estimates (In Thousands)	(B) Median Family Income	(C) Public School Enrollment (In Thousands)	(D) Unemployment Rate (Percentage)
1993	2,557	\$ 54,380	396	6.7
1994	2,597	54,413	412	5.8
1995	2,641	55,507	422	5.5
1996	2,624	57,106	425	4.3
1997	2,659	59,629	443	3.4
1998	2,722	61,812	458	3.0
1999	2,776	63,478	471	2.9
2000	2,828	64,000	484	2.7
2001	2,926	71,200	496	3.0
2002	2,940	75,600	505	4.0

Sources:

- (A) County of Orange Population and Housing Estimates, California Department of Finance at January 1, 2002.
- (B) Center for Economic Research, Chapman University (estimates).
- (C) Orange County Department of Education.
- (D) State of California, Employment Development Department.

COUNTY OF ORANGE
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Dollars In Thousands)

Fiscal Year	(A), (1) Assessed Property Value	(B) Total Bank Deposits	Calendar Year	(C) Non-Residential Construction	(C) Residential Construction		(C) Total Construction Value
	Value			Value	Number of Units	Value	
1992-93	\$ 178,534,134	\$ 20,798,670	1993	\$ 520,214	6,122	\$ 1,063,565	\$ 1,583,779
1993-94	178,761,413	33,212,000	1994	523,480	7,333	1,338,519	1,861,999
1994-95	176,974,944	32,643,000	1995	622,189	11,726	1,576,136	2,198,325
1995-96	176,757,159	31,796,000	1996	586,589	10,323	1,597,418	2,184,007
1996-97	177,300,663	33,081,000	1997	942,155	11,426	1,852,739	2,794,894
1997-98	182,284,317	35,319,000	1998	1,182,095	14,345	2,333,177	3,515,272
1998-99	192,625,739	36,458,000	1999	1,796,025	12,990	2,313,190	4,109,215
1999-00	209,136,473	37,639,000	2000	1,818,791	11,905	2,152,073	3,970,864
2000-01	228,548,301	40,643,225	2001	1,748,172	11,953	2,214,626	3,962,798
2001-02	248,966,580	--	(2) 2002	1,205,784	9,686	2,073,618	3,279,402

(1) These are assessed property values for property tax purposes. Taxable assessed values are stated at full cash value.

(2) Data not available at time of publication.

Sources:

(A) Auditor-Controller, County of Orange.

(B) Federal Research Library.

(C) The Chapman University " Economic & Business Review " (Forecasts) dated June 2002.

COUNTY OF ORANGE
POPULATION AND HOUSING STATISTICS
JUNE 30, 2002

	<u>Population by City, 2000 and 2002</u>			<u>Housing Units by City, 2000 and 2002</u>		
	(A)	(B)	Percent Change	(A)	(B)	Percent Change
	<u>2000</u>	<u>2002</u>		<u>2000</u>	<u>2002</u>	
Anaheim	328,014	334,700	2.04%	99,719	100,125	0.41%
Brea	35,410	36,850	4.07%	13,327	13,650	2.42%
Buena Park	78,282	79,800	1.94%	23,826	23,888	0.26%
Costa Mesa	108,724	110,700	1.82%	40,406	40,518	0.28%
Cypress	46,229	47,250	2.21%	16,028	16,125	0.61%
Dana Point	35,110	36,000	2.53%	15,682	15,819	0.87%
Fountain Valley	54,978	55,900	1.68%	18,473	18,478	0.03%
Fullerton	126,003	129,300	2.62%	44,771	45,229	1.02%
Garden Grove	165,196	168,600	2.06%	46,703	46,922	0.47%
Huntington Beach	189,594	194,600	2.64%	75,662	76,410	0.99%
Irvine	143,072	157,500	10.08%	53,711	58,192	8.34%
Laguna Beach	23,727	24,300	2.41%	12,965	13,073	0.83%
Laguna Hills	31,178	33,800	8.41%	11,303	12,073	6.81%
Laguna Niguel	61,891	63,500	2.60%	23,885	24,130	1.03%
Laguna Woods	16,507	16,800	1.78%	12,650	12,650	0.00%
La Habra	58,974	60,700	2.93%	19,441	19,694	1.30%
Lake Forest	58,707	76,600	30.48%	20,486	26,310	28.43%
La Palma	15,408	15,850	2.87%	5,066	5,126	1.18%
Los Alamitos	11,536	11,700	1.42%	4,329	4,329	0.00%
Mission Viejo	93,102	98,300	5.58%	32,985	34,275	3.91%
Newport Beach	70,032	72,500	3.52%	37,288	38,009	1.93%
Orange	128,821	132,900	3.17%	41,904	42,606	1.68%
Placentia	46,488	48,300	3.90%	15,326	15,677	2.29%
Rancho Santa Margarita	47,214	48,500	2.72%	16,515	16,684	1.02%
San Clemente	49,936	54,900	9.94%	20,653	22,360	8.27%
San Juan Capistrano	33,826	34,700	2.58%	11,320	11,432	0.99%
Santa Ana	337,977	343,700	1.69%	74,588	74,646	0.08%
Seal Beach	24,157	24,700	2.25%	14,267	14,325	0.41%
Stanton	37,403	38,100	1.86%	11,011	11,034	0.21%
Tustin	67,504	69,100	2.36%	25,501	25,674	0.68%
Villa Park	5,999	6,175	2.93%	2,008	2,030	1.10%
Westminster	88,207	89,700	1.69%	26,940	26,952	0.04%
Yorba Linda	58,918	60,800	3.19%	19,567	19,870	1.55%
Unincorporated	168,165	162,700	(3.25%)	61,178	58,291	(4.72%)
Total County	<u>2,846,289</u>	<u>2,939,525</u>	<u>3.28%</u>	<u>969,484</u>	<u>986,606</u>	<u>1.77%</u>

Sources:

(A) County of Orange 2000 Census Report, Volume 1.

(B) County of Orange Population and Housing Estimates, California Department of Finance at January 1, 2002

**COUNTY OF ORANGE
MISCELLANEOUS STATISTICS
JUNE 30, 2002**

County Creation Date (A)	-	March 11, 1889	
Form of Government (A)	-	Charter County	
County Seat (A)	-	Santa Ana, California	
Area (B)	-	798 square miles	
Elevation Range (A)	-	Sea level to 5,687' at Santiago Peak	
Coastline (A)	-	42 miles	
Median Home Price (C)	-	\$ 369,000	
Largest Crops (D)	-	Nursery Stock and Cut Flowers	\$ 218,833,111
		Strawberries	\$ 52,638,048
		Tomatoes	\$ 17,288,064
Education (E)	-	Elementary School Districts	12
		High School Districts	3
		Unified School Districts	12
		Community College Districts	4
Justice Centers (A)	-	North Justice Center	
		West Justice Center	
		Harbor Justice Center, Newport Beach	
		Harbor Justice Center, Laguna Niguel	
		Central Justice Center	
		Lamoreaux Justice Center	
Voter Registration (F)	-	Republican	629,601
		Democrat	408,671
		Non-partisan	191,625
		American Independent	24,274
		Libertarian	9,177
		Green	6,398
		Other parties	13,602
		Total Registered Voters	<u><u>1,283,348</u></u>

Sources:

- (A) Auditor-Controller, County of Orange.
- (B) Center of Demographic Research, California State University Fullerton, June 2002.
- (C) OC Register.com, Business Section, September 18, 2002.
- (D) Public Facilities & Resources Department, County of Orange.
- (E) Orange County Department of Education.
- (F) Registration & Elections Department, County of Orange.