

**COUNTY OF ORANGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2003**

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AUDITOR-CONTROLLER

December 16, 2003

Honorable Board of Supervisors
County of Orange
Santa Ana, California

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California, for the fiscal year ended June 30, 2003, 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.

The CAFR was prepared to satisfy the 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 GASB. GASB Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

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, 2003, 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 a 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, 2003, 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 approximately 3 million. It represents the second most populous county in the state, and ranks fifth in the nation.



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 22 County Departments, six 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:

Countywide Services	
Affordable Housing (Housing Authority)	Indigent Medical Services
Agricultural Commissioner	Jails & Juvenile Facilities
Airport	Juvenile Justice Commission
Child Protection & Social Services	Landfills & Solid Waste Disposal
Clerk-Recorder	Law Enforcement
Coroner & Forensic Services	Probationary Supervision
District Attorney	Public Administrator/Guardian
Elections & Voter Registration	Public Assistance
Environmental Health	Public Defender/Alternate Defense
Family Support Collection	Public & Mental Health
Flood Control & Transportation	Tax Assessment & Collection
Grand Jury	Weights & Measures
Harbors, Beaches & Parks	

Unincorporated Area Services	Contract Services for Cities
Animal Control	Animal Control
Land Use	Law Enforcement
Law Enforcement	Libraries
Libraries	Public Works & Engineering
Parks	
Public Works & Engineering	
Roads	
Surveyor	
Water Disposal Collection	

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, 2003: the Orange County Flood Control District, Orange County Development Agency, Orange County Housing 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 legal 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

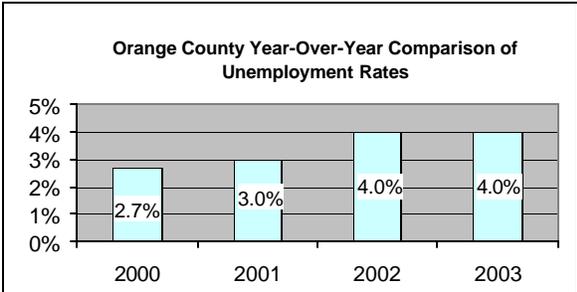
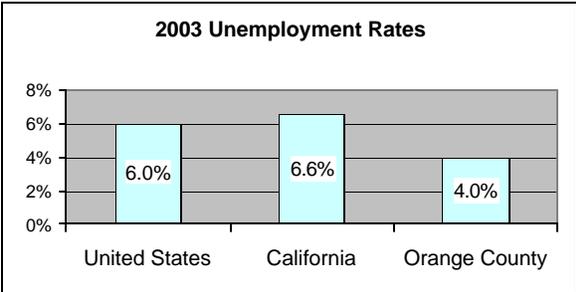
budget has been adopted. The Budgetary Comparison Statement for the General Fund and Major Special Revenue Funds are part of the Basic Financial Statements. For Nonmajor Governmental Funds with appropriated annual budgets, this comparison is presented in the Supplementary Information for governmental 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 five 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. This year, the Center for Digital Government ranked the County of Orange fourth in the nation for providing superb e-commerce services to our constituents. The County of Orange also won the Center for Digital Government national "Best of Breed" award for On-Line Employment Application Services.

FACTORS AFFECTING FINANCIAL CONDITION

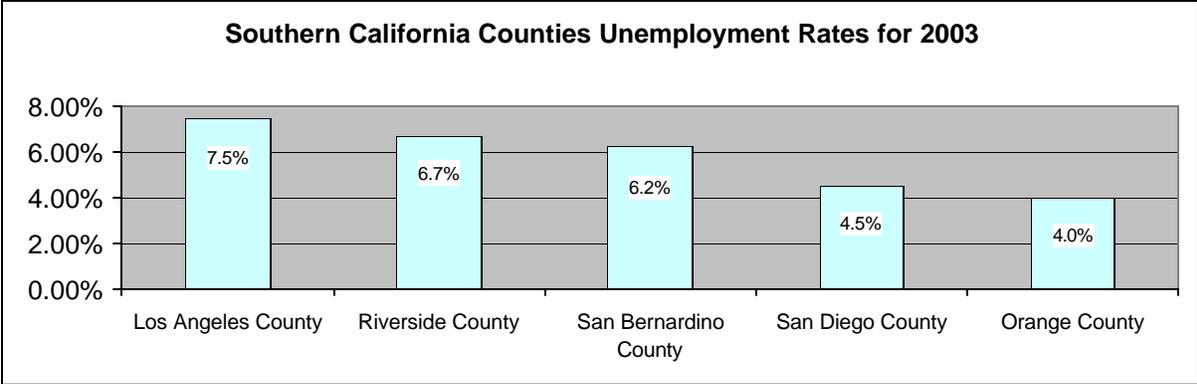
Local Economy

The state of Orange County's economy can be measured by two indicators: how well the local economy is performing relative to surrounding counties, the state and the nation (external indicators) and how well the local economy is performing relative to its own historical trends (internal indicators). In terms of the external indicators, Orange County's economy routinely out-performs local surrounding counties, the state, and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute dollars) than the economies of the majority of the countries in the world. Current external indicators show that despite the current slowdown of the local economy, conditions in Orange County are expected to remain favorable relative to conditions in surrounding counties, the state and nation. However, in terms of internal indicators, Orange County's economic performance is much more volatile and uncertain. This section provides various external and internal indicators that describe the current and projected outlook of the Orange County economy.



Source: State of California, Employment Development Department

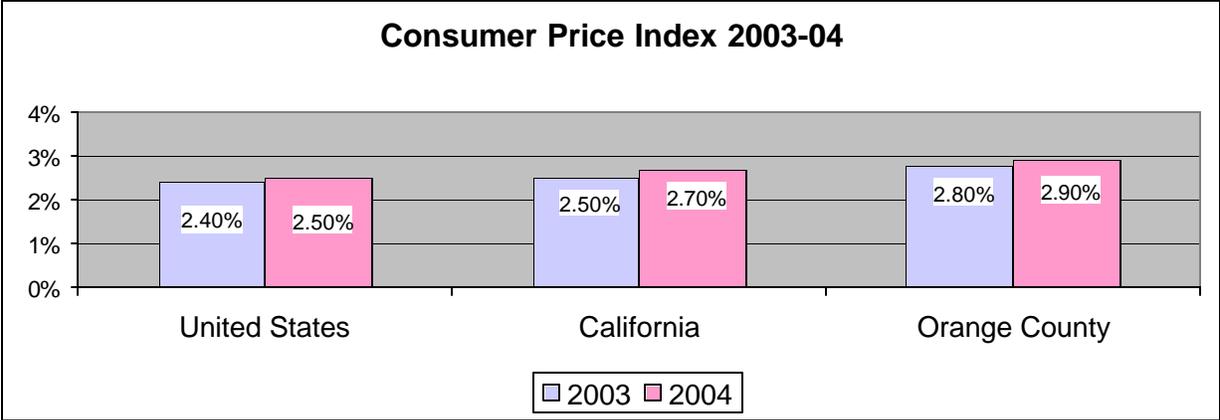
The growth in Real Gross County Product (a measure of the value of goods and services produced in one year and an indicator of the strength of the local economy) is forecasted by Chapman University to increase by 4.69% and reach \$127.2 billion in 2003. This compares to an increase in Gross State Product (for the state of California) of 3.37% and an increase in Gross Domestic Product of 3.81% at the national level during the same time period. Comparisons of Orange County's projected 2003 Gross County Product (GCP) relative to prior years, shows a very slow but steady increase in GCP. For example, GCP in 2000 increased by 6.15%, dropped by 1.19% in 2001; increased by 2.35% in 2002, and is projected to increase by 4.69% in 2003. 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.



Source: Economic & Business Review, Chapman University June 2003

According to Chapman University, Orange County's job growth totaled 1.79% (approximately 24,840 more jobs) in 2001, decreased by 0.75% (approximately 10,667 less jobs) in 2002, and is forecast to increase by 0.98% (approximately 13,805 more jobs) in 2003, and 1.700% (approximately 20,000 more jobs) in 2004.

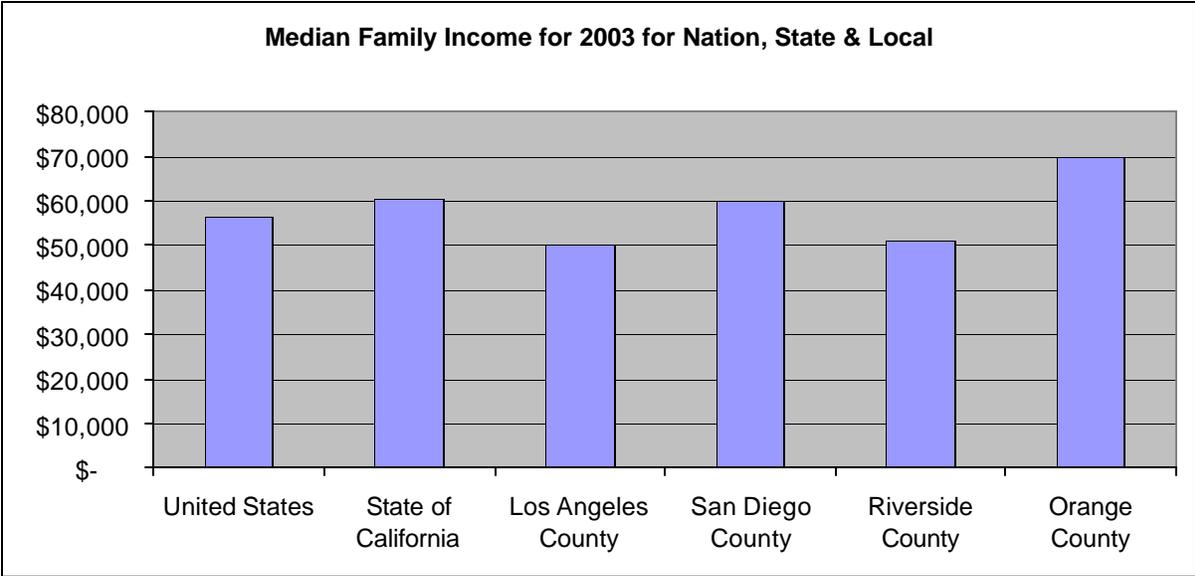
Inflation, as measured by the Consumer Price Index (CPI), is expected to remain moderately low in Orange County, despite being higher than the CPI at the state and national levels in 2003.



Source: Economic & Business Review, Chapman University June 2003

According to DataQuick Information Systems, in July 2003, the median price for new and existing homes in Orange County increased by 18.9% (relative to July 2002), and reached \$428,000. Housing appreciation in Orange County has been rapid in response to the high demand for housing caused, in part, by low interest rates and a tight supply of housing. For the future, Chapman University is projecting that while housing appreciation will slow down, housing affordability (compared to other parts of the country) will continue to remain low.

Median family incomes in 2003 were adjusted (“Re-benched”) by the U.S. Department of Housing and Urban Development to correspond with actual data collected during the 2000 Census. Comparisons of adjusted median family income levels in Orange County (based on Chapman University estimates and projections) in 2000, 2001, 2002, and 2003 are \$69,310; \$70,577; \$70,887; and \$72,985, respectively.



Source: Economic & Business Review, Chapman University June 2003

Taxable sales in Orange County are forecasted by Chapman University to increase by 3.2% in 2003 and 4.3% in 2004. This compares to forecast of 2.8% in 2003 and 3.7% in 2004 for the State of California. Taxable sales percentage change estimates and forecast in Orange County for 2000, 2001, 2002, 2003 and 2004 are 10.1%, 0.3%, -1.2%, 3.2%, and 4.3%, respectively.

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 principal 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. The permittees are required to review new development plans and inspect projects to ensure incorporation of appropriate water quality protection measures (termed best management practices – BMP’s), monitor stream, flood control channel and harbor and bay water quality, and report their activities and monitoring results to the Regional Water Quality Control Boards. The permits require new water quality planning initiatives in all thirteen major watersheds in the County, and direct the permittees to cooperate in appropriate regional and watershed water quality management programs. The County and cities must also determine and implement BMP’s for public projects, commercial/industrial activities, construction sites, and municipal operations and maintenance activities.

The Public Facilities and Resources Department’s (PF&RD) Watershed and Coastal Resources Division administers a management framework, supporting cooperative countywide compliance, comprising committees of permittee representatives to guide the development and implementation of model compliance program elements. In addition, to PF&RD, the Planning and Development Services Department (PDSD) and the Health Care Agency (HCA) also have significant compliance program responsibilities. The cost of municipal permit compliance 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 six Strategic Financial Plans, the most recent being adopted by the Board on March 4, 2003. 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.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (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 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 the 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 & 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 costs for the Project to be \$413 million 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 the project's costs exceeds current available funds. However, the Project has been authorized by the State Legislature, making it eligible for State Flood Control Subventions (reimbursement of 70% of OCFCD eligible expenditures). An estimated \$10 million is expected to be reimbursed to the OCFCD when funds are available, 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, 2003, the OCFCD has spent an estimated \$217 million on the Project, with resulting claims for estimated reimbursement of \$150 million, which have already been submitted or will be submitted. To date, the OCFCD has submitted \$134 million in claims for reimbursement of eligible expenditures and received \$120 million 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.

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. The bill took effect on January 1, 2003, however, it is anticipated that the transition time will take up to 7 years. Although no transition date has been set for Orange County, the County has formed a transition task force and negotiating team to develop a plan that will identify the impacts and the steps necessary to ensure a smooth and timely transition. Some important areas under consideration are 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), which is utilized exclusively by the County's school districts. The investment of the County and Educational Pools' is governed by California Government Code and the Treasurer's Investment Policy Statement (IPS). 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, securities lending agreements, bankers 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. Investments are marked to market on a daily basis. If the net asset value of either the County Money Market Fund or the Educational Money Market Fund 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 as components of the County and Educational Pools. The maximum term of any investment under the Extended Fund is three years and the weighted average maturity is limited to 18 months. The maximum term of any investment in the Money Market Fund remains thirteen months with the weighted average maturity limited to 90 days. 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'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 Governmental Accounting Standards Board.

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 \$13,185 million, of which \$1,511 million is collateralized for non-pooled investment BICs and \$11,570 million is uncollateralized for Restricted Cash and Investment BICs. The collateralized BICs and the uncollateralized BICs are FDIC insured for \$100 thousand and \$100 thousand, respectively.

At June 30, 2003, the weighted average maturity of the County Pool was 153 days and the Educational Pool was 93 days. The average daily investment balance of the County Pool and the Educational Pool amounted to \$2.54 billion and \$1.82 billion, with an average effective yield of 1.78% and 1.54%, respectively, for the fiscal year ended June 30, 2003. 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.

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 services 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 are also purchased. All other liability exposures including general, auto and workers' compensation are selfinsured. Various risk control techniques, including employee accident prevention training and regular work-site inspections, have been implemented to minimize losses.

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, 2002. 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.

AIIM International Best Practices Award: On April 9, 2003, the Association of Information and Imaging Management (AIIM) International recognized the County of Orange with a Best Practices award "for successful employment of an imaging, workflow and report management solution to dramatically improve document/records management using Hyland's Onbase technology."

National Association of Counties 2003 Achievements Award Winner: "In recognition of an innovative Electronic Reports Management & Imaging program which contributes to and enhances county government in the United States."

Acknowledgments: I would like to express my sincere appreciation to the staff from my office, other County departments and the staff of the certified public accounting firm of Macias, Gini & Company LLP. 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, 2003**

Elective Office (Other Than Judicial)

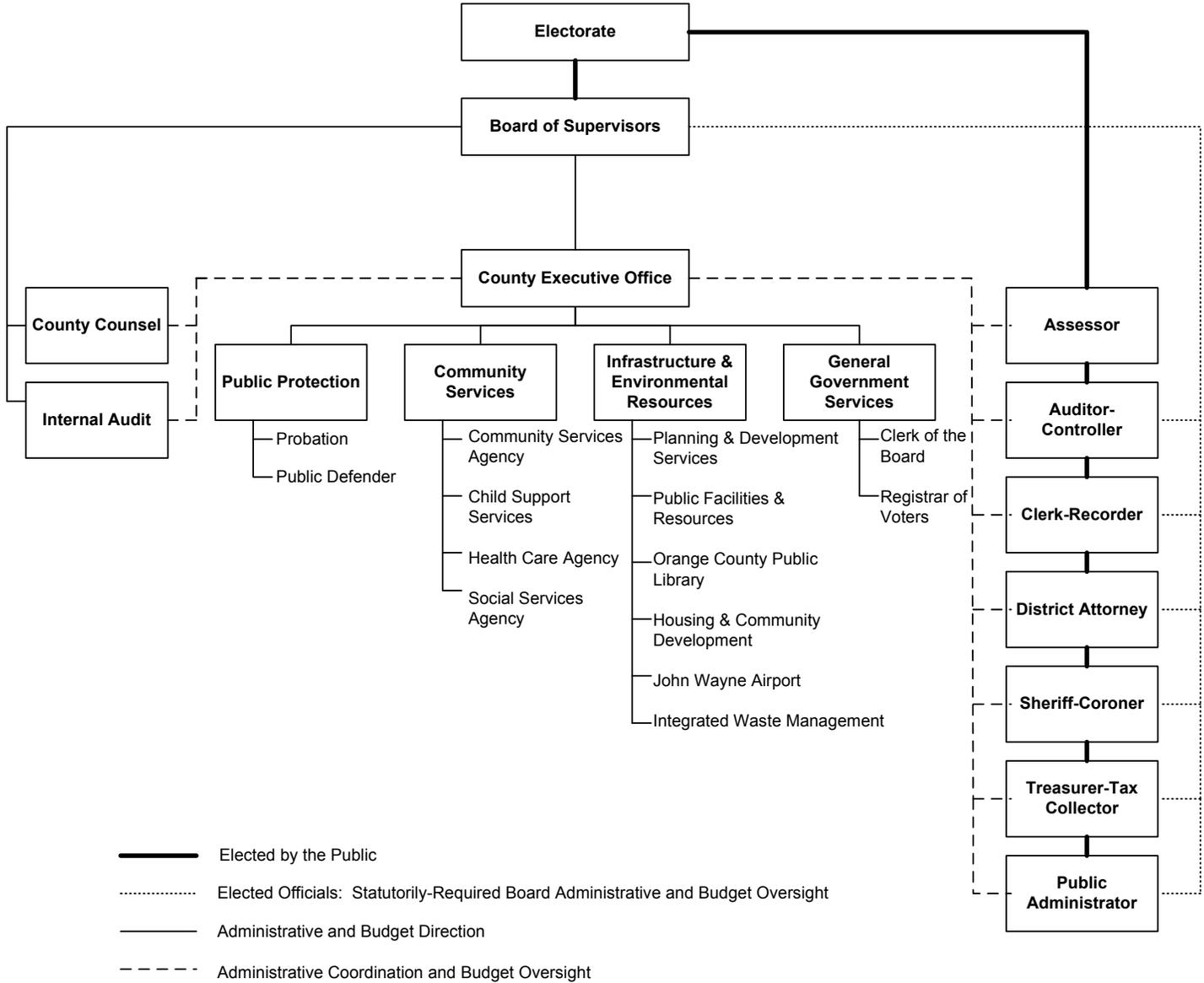
Office Holder

Supervisor, First District.....	Charles V. Smith
Supervisor, Second District	James W. Silva, Vice Chair
Supervisor, Third District	Bill Campbell
Supervisor, Fourth District.....	Chris Norby
Supervisor, Fifth District.....	Thomas W. Wilson, Chair
Assessor	Webster J. Guillory
Auditor-Controller	David E. Sundstrom, C.P.A.
Clerk-Recorder	Tom Daly.....
District Attorney	Anthony J. Rackauckas
Public Administrator	John S. Williams
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
Interim County Executive Officer	James D. Ruth
Assistant CEO, Interim Chief Financial Officer.....	Frederick A. Branca
Assistant CEO, Human Resources	Jan Walden...
Assistant CEO, Strategic & Intergovernmental Affairs	William D. Mahoney
Assistant CEO, Information & Technology	Daniel K. Hatton, Ph.D.
County Librarian	John M. Adams
County Probation Officer	Stephanie W. Lewis
Director of Child Support Services	Jan C. Sturla
Director of Health Care Agency	Juliette A. Poulson, R.N., M.N.
Director of Housing and Community Services 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.....	Janice V. Goss
Director of John Wayne Airport	Alan L. Murphy
Director of Planning & Development Services Department.....	Bryan G. Speegle
Director of Public Facilities & Resources Department	Vicki L. Wilson
Agricultural Commissioner.....	Rick M. Le Feuvre
Director of Social Services Agency	Angelo R. Doti
Public Guardian.....	John S. Williams
Public Defender.....	Deborah Kwast
Interim Registrar of Voters	Steven P. Rodermund

**COUNTY OF ORANGE
ORGANIZATIONAL CHART
As of June 30, 2003**



Certificate of Achievement for Excellence in Financial Reporting

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California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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President

Executive Director





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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, 2003, 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 respective 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the major general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2003, 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 on pages 24 through 43 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mann, Jini & Company LLP

Certified Public Accountants

Los Angeles, California
December 16, 2003





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, 2003. 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. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The total net assets increased by \$675,209, or 25% as compared to last year's.
- The total long-term debt decreased by \$88,010, or 6% during the current fiscal year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$1,814,282, an increase of \$95,140, or 6% in comparison with the prior year.
- At June 30, 2003, unreserved fund balance in the General Fund was \$159,684, or 7% of total FY 2002-03 expenditures of \$2,206,647.
- General Fund revenues and transfers ended the year 5% below budget.
- General Fund expenditures ended the year 13% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

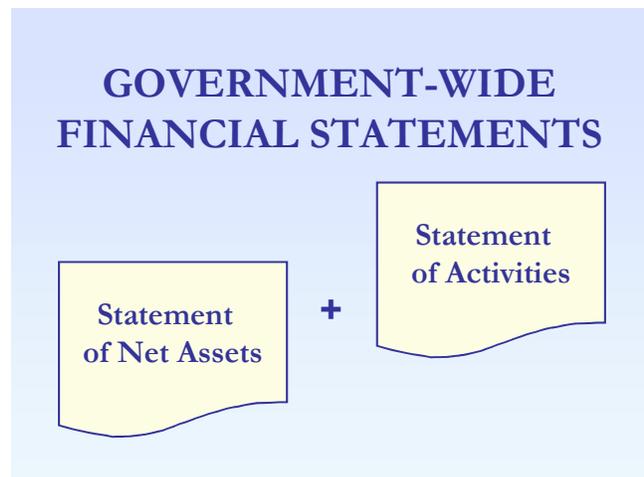
The basic financial statements presented in the County's CAFR have been divided into three different sections:

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

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. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The **Statement of Activities**, on the other hand, provides

information on how the government's net assets changed during the most recent fiscal year regardless of the period when the related cash or cash equivalent is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).



The Statement of Net 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

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

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

("GASB 34"). All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary.

Governmental funds - Governmental funds include most of the County's basic services and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements are prepared using the **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. The primary differences between the government-wide and fund financial statements relate to noncurrent assets, such as land and structures and improvements, and noncurrent liabilities, such as bonded debt and amounts owed for compensated absences and capital lease obligations, which are reported in the government-wide statements but not in the fund financial statements.

In FY 2002-03, an increase of \$625,022 in net assets in the government-wide financial statements was reported, while an increase of \$95,140 in fund balance was reported in the fund financial statements. The

primary reason for the difference is attributed to a donation of the Seven Oaks Dam, an infrastructure capital asset valued at approximately \$425,000. Donated capital assets are not reported in the fund financial statements. Refer to the “Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds 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 Funds). Information is presented separately in the governmental funds Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is always a major fund, and all other major funds. Information for nonmajor funds is presented in the aggregate in these statements. Individual fund data for each of the nonmajor governmental funds is presented elsewhere in this report. The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Proprietary funds - The County maintains two different types of proprietary funds: Enterprise Funds and Internal Service Funds. **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport and Waste Management operations. **Internal Service Funds** are used to accumulate and allocate costs internally among the County’s various functions such as insurance services, transportation, publishing, and information technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary 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 elsewhere in this report.

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

Notes to the Basic Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. At June 30, 2003, the County's combined net assets (governmental and business-type activities) totaled \$3,364,749, an increase of 25% from FY 2001-02.

The largest component of the County's net assets (74%) was **invested in capital assets, less any related outstanding debt** used to acquire those assets. Capital assets include land, structures and improvements, equipment, construction in progress, and infrastructure that 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.

COMPONENTS OF NET ASSETS

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

\$1,262,490 of the County's net assets (38%) are **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.

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. As of June 30, 2003, governmental activities showed a negative amount of \$374,852 in unrestricted net assets. The deficit balance shown for unrestricted net assets was caused primarily 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 obligation to the citizens and creditors. Please refer to Note 9, Long-Term Obligations, for more details of this Plan. Additional causes of the unrestricted net assets deficit are the increase in compensated employee absences due to the negotiated annual leave plans, increased pension costs as well as cost of living salary increases.

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

NET ASSETS – Primary Government

June 30, 2003
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
ASSETS						
Current and other assets	\$ 2,552,793	\$ 2,443,477	\$ 524,901	\$ 515,615	\$ 3,077,694	\$ 2,959,092
Capital assets	2,271,150	1,802,389	489,045	463,252	2,760,195	2,265,641
Total Assets	4,823,943	4,245,866	1,013,946	978,867	5,837,889	5,224,733
LIABILITIES						
Long-term liabilities	1,677,495	1,686,430	382,780	400,663	2,060,275	2,087,093
Other liabilities	355,287	393,297	57,578	54,803	412,865	448,100
Total Liabilities	2,032,782	2,079,727	440,358	455,466	2,473,140	2,535,193
NET ASSETS						
Invested in capital assets, net of related debt	2,183,152	1,703,213	293,959	240,969	2,477,111	1,944,182
Restricted	982,861	826,217	279,629	282,432	1,262,490	1,108,649
Unrestricted	(374,852)	(363,291)	--	--	(374,852)	(363,291)
Total Net Assets	\$ 2,791,161	\$ 2,166,139	\$ 573,588	\$ 523,401	\$ 3,364,749	\$ 2,689,540

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

CHANGES IN NET ASSETS – Primary Government

For the Year Ended June 30, 2003

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
REVENUES						
Program Revenues:						
Charges for Services	\$ 431,151	\$ 388,128	\$ 191,188	\$ 180,382	\$ 622,339	\$ 568,510
Operating Grants and Contributions	1,545,050	1,438,646	10,494	1,637	1,555,544	1,440,283
Capital Grants and Contributions	510,311	44,185	16,374	1,610	526,685	45,795
General Revenues:						
Property Taxes	303,436	292,894	--	--	303,436	292,894
Other Taxes	51,694	7,917	--	--	51,694	7,917
Grants and Contributions not Restricted to Specific Programs	22,707	58,614	--	--	22,707	58,614
State Allocation of Vehicle License Fees	178,446	172,916	--	--	178,446	172,916
Other General Revenues	64,453	85,123	537	15,858	64,990	100,981
Total Revenues	3,107,248	2,488,423	218,593	199,487	3,325,841	2,687,910
EXPENSES						
General Government	193,192	182,237	--	--	193,192	182,237
Public Protection	892,817	863,159	--	--	892,817	863,159
Public Ways and Facilities	74,561	82,893	--	--	74,561	82,893
Health and Sanitation	441,047	430,954	--	--	441,047	430,954
Public Assistance	740,794	718,016	--	--	740,794	718,016
Education	29,108	28,583	--	--	29,108	28,583
Recreation and Cultural Services	70,273	70,875	--	--	70,273	70,875
Interest on Long-Term Debt	53,853	125,664	--	--	53,853	125,664
Airport	--	--	75,770	75,446	75,770	75,446
Waste Management	--	--	79,217	72,652	79,217	72,652
Total Expenses	2,495,645	2,502,381	154,987	148,098	2,650,632	2,650,479
Excess (Deficit) before Transfers	611,603	(13,958)	63,606	51,389	675,209	37,431
Transfers	13,419	19,606	(13,419)	(19,606)	--	--
Increase in Net Assets	625,022	5,648	50,187	31,783	675,209	37,431
Net Assets - Beginning of the Year	2,166,139	2,160,491	523,401	491,618	2,689,540	2,652,109
Net Assets - End of the Year	\$ 2,791,161	\$ 2,166,139	\$ 573,588	\$ 523,401	\$ 3,364,749	\$ 2,689,540

As of June 30, 2003, the County's net assets increased by 25%, or \$675,209, during the current fiscal year. Revenues for the year totaled \$3,325,841, an increase of \$637,931 from the previous year and expenses totaled \$2,650,632, an increase of \$153.

The increases in the County's net assets are explained in the governmental and business-type activities discussion on the following page:

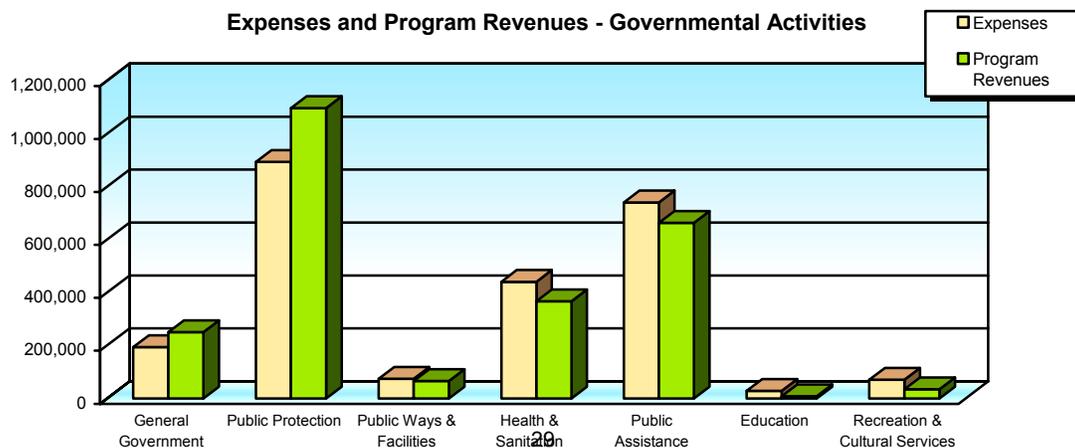
Governmental Activities

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest revenue source for the County followed by Capital Grants and Contributions. Operating Grants and Contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as the State and Federal revenues for public assistance and for health care. Capital Grants and Contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. An example of Capital Grants and Contributions is a State grant to finance the construction of a new jail.

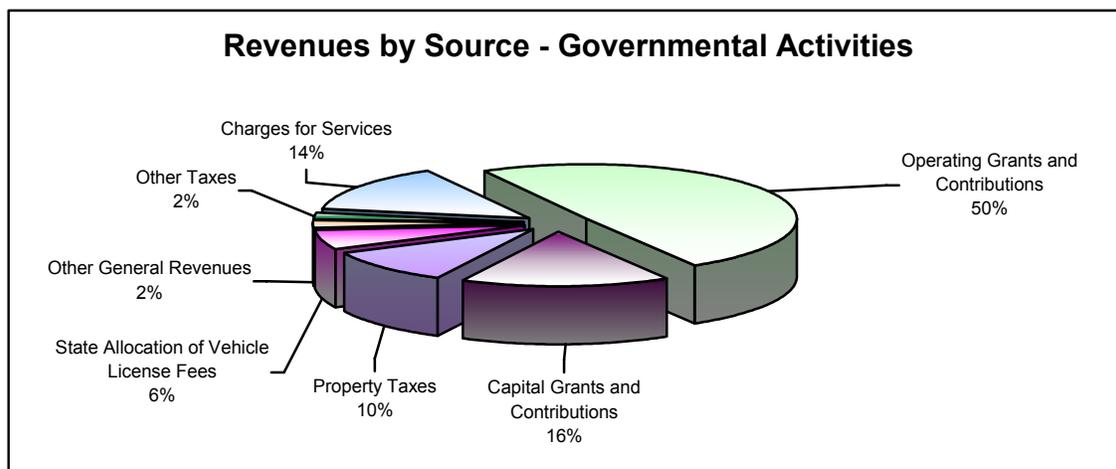
At the end of FY 2002-03, total revenues for the governmental activities, including transfers from the business-type activities were \$3,120,667, showing an increase of \$612,638 from the previous year. Expenses totaled \$2,495,645, showing a decrease of \$6,736 from the prior year. The majority of these expenses were spent on Public Protection and Public Assistance. Governmental activities increased the County's net assets by \$625,022, accounting for 93% of the total growth in the net assets of the County. Key elements of the increase are as follows:

- Capital Grants and Contributions increased by \$466,126, mainly due to the contribution of the Seven Oaks Dam from the US Army Corps of Engineers.
- Interest on Long-term Debt decreased by \$71,811, or 57%, due to (1) a correction of an estimate in accruing interest expense associated with long-term debt reported in the FY 2001-02 Statement of Activities; (2) an oversight in implementing the new financial reporting model in FY 2001-02 by not excluding governmental fund interest expense related to prior years in the FY 2001-02 Statement of Activities and (3) a decrease in interest expense paid or recognized in FY 2002-03 as a result of declining long-term debt balances. Once the corrections are taken into consideration, interest expense on Long-term Debt remained fairly constant at approximately \$70,000.
- Charges for Services increased by \$43,023, or 11%, mainly due to (1) developer fees; (2) primary and general election services to local agencies; (3) fines and reimbursements for environmental fraud cases and law enforcement service contracts.
- Operating Grants and Contributions increased by \$106,404. The most significant cause is a \$29,362 increase in pension obligation bonds and revenue bonds as the result of recognizing the difference between book value and fair value of investments, in accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". The remaining increases were the result of a large number of small increases to various grants and programs.
- Property taxes increased by \$10,542, or 4%, due to an increased number of home purchases as a result of low housing interest rates.
- State Allocation of Vehicle License Fees increased by \$5,530, or 3% resulting from strong vehicle sales throughout the State despite the slowing economy.

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

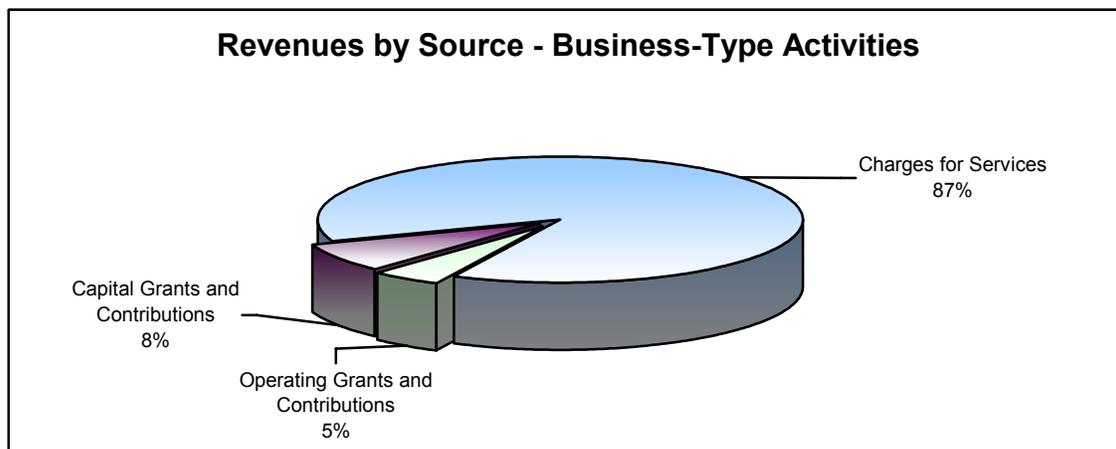


The chart below presents the percentage of total revenues by source for governmental activities.



Business-Type Activities

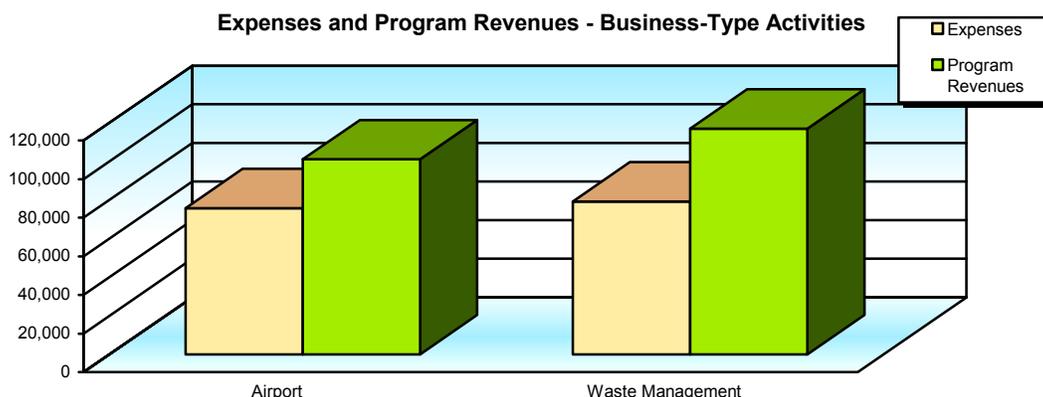
The County has two business-type activities: Airport and Waste Management. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported Charges for Services as their largest source of revenues. Operating Grants and Contributions, as well as Capital Grants and Contributions, were the other revenue sources for Airport and Waste Management activities. Capital Grants and Contributions include revenues received from the Federal Aviation Administration (FAA) for use in airport construction projects.



At the end of FY 2002-03, business-type activities reported total revenues of \$218,593, an increase of \$19,106 from the prior year. Expenses, including transfers to the governmental activities, totaled \$168,406, resulting in an increase of \$702 from the previous year. The program revenues (Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions) financed the majority of 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." At the end of FY 2002-03, there was an increase of \$50,187 in net assets as compared to an increase of \$31,783 in FY 2001-02. Key elements for the increase are as follows:

- The receipt of several FAA grants amounting to \$13,399.
- A \$1,360 land donation.
- A \$3,994 increase in the amount of tonnage of solid waste disposed at the landfills.

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



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. Such information may be useful in evaluating the County's near-term financing requirements.

In particular, unreserved fund balance may serve as a valuable measure of the government's resources that are available for spending at the end of the fiscal year. 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.

At June 30, 2003, the County's governmental funds reported total fund balances of \$1,814,282 with an increase of \$95,140 in comparison with the prior year. Of the total fund balances for the governmental funds, \$771,139 (43%) constitutes *unreserved fund balances*.

A significant amount of these unreserved fund balances (approximately \$ 348,806) are 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:

Funds

General Fund

Planned Uses of Unreserved Fund Balances

- Improvements at Juvenile Hall, deferred maintenance projects, Americans with Disabilities Act (ADA) improvement projects, weapons screening improvements at four Orange County Justice Centers and seismic retrofit improvements at the County Central Garage.

<u>Funds</u>	<u>Planned Uses of Unreserved Fund Balances (Continued)</u>
Roads	- Property acquisition connected to the expansion of El Toro/Avenida De la Carlota intersection and expansion of Alton Parkway, construction and maintenance projects including Moulton Parkway in Lake Forest, Katella Avenue, portions of Irvine Avenue and maintenance of traffic signals, sidewalks and storm drains.
Tobacco Settlement	- Health care services for seniors and persons with disabilities, emergency room physicians and on-call specialists, tobacco related disease prevention and control, nonprofit community clinics, reimbursement to hospitals for charity care, and drug/alcohol rehabilitation program at the Theo Lacy Jail.
Refunding and Recovery Certificates of Participation (COPs) and Debt Prepayment	- Bond redemption when a cost effective opportunity to redeem debt is available.
Flood Control District	- Property acquisition for the Prado Dam expansion project and flood channel widening and reinforcement.
Harbors, Beaches and Parks	- Construction of Laguna Coast Wilderness Park Interpretive Center and improvements of regional and city parks.
Other Governmental	Opening of Building A at the Theo Lacy Jail, Sheriff baseline operating costs and various capital projects in Ladera Ranch.

The remaining fund balances are *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 12 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."

Comparative Analysis of Changes in Fund Balances

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

MAJOR GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2003
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Increase (Decrease)
	2003	2002	2003	2002	2003	2002	Change
General Fund	\$ 2,170,606	\$ 2,028,811	\$ 2,206,647	\$ 1,999,718	\$ (36,041)	\$ 29,093	\$ (65,134)
Roads	44,110	54,761	38,813	44,759	5,297	10,002	(4,705)
Public Library	32,936	30,848	32,679	28,741	257	2,107	(1,850)
Tobacco Settlement	36,249	36,913	35,548	26,884	701	10,029	(9,328)
Refunding and Recovery COPs & Debt Prepayment	130,681	286,483	92,163	85,655	38,518	200,828	(162,310)
Flood Control	87,075	233,567	58,721	79,106	28,354	154,461	(126,107)
Harbors, Beaches, and Parks	73,188	67,785	71,447	63,810	1,741	3,975	(2,234)
Total	\$ 2,574,845	\$ 2,739,168	\$ 2,536,018	\$ 2,328,673	\$ 38,827	\$ 410,495	\$ (371,668)

In the governmental funds, expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. As expenditures increase, revenues increase proportionately. In addition to the effects of expenditure-driven grants, the following information provides significant reasons for the net change in fund balances.

General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2002-03, there was a decrease in net change in fund balances of \$65,134, despite the continued increase in revenues from motor vehicle licensing fees and property taxes. The primary factor that contributed to the decrease in net change in fund balances was the increase in expenditures for the County's contribution to Orange County Employees Retirement System (OCERS) due to the low returns in the County Investment Account and an increase in the cash requirement to cover the calculated Annual Required Contribution (ARC). For further information on the County's retirement plans, see Note 18 in the Notes to the Basic Financial Statements section.

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 2002-03, there was a decrease in net change in fund balances of \$4,705 primarily due to the reduction in revenue from the 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. There was a decrease in net change in fund balances of \$1,850 for the FY 2002-03 due to an increase in salaries and employment benefits for the additional staff hired for the newly constructed Foothill Ranch branch library and a reduction in State Public Library Fund (PLF) support to local libraries.

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, also known as the Tobacco Settlement Funds Initiative. As of July 1, 2001, tobacco settlement revenue is allocated as follows: 80% for specified health care services and 20% for public safety programs. At the end of FY 2002-03, there was a decrease in net change in fund balances of \$9,328 primarily attributed to an increase in expenditures of Measure H eligible health care programs.

Lastly, due to the implementation of GASB Statement No. 34, similar-purpose funds were consolidated. As a result of these reclassifications, there was an overall decrease in net change in fund balances of the following major funds:

- Refunding and Recovery Certificates of Participation and Debt Prepayment decreased by \$162,310.
- Flood Control District decreased by \$126,107.
- Harbors, Beaches, and Parks decreased by \$2,234.

Proprietary Funds

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 elsewhere in this report.

Comparative Analysis of Changes in Fund Net Assets

The following table presents the Enterprise Funds' actual revenues and other financing sources, expenses and transfers, and changes in fund net assets for the current and previous fiscal year.

ENTERPRISE FUNDS
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 For the Year Ended June 30, 2003
 (In Thousands)

	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets		Increase (Decrease)
	2003	2002	2003	2002	2003	2002	Change
Airport	\$ 101,314	\$ 82,782	\$ 74,712	\$ 77,549	\$ 26,602	\$ 5,233	\$ 21,369
Waste Management	117,265	115,873	92,524	84,951	24,741	30,922	(6,181)
Total	\$ 218,579	\$ 198,655	\$ 167,236	\$ 162,500	\$ 51,343	\$ 36,155	\$ 15,188

Airport

This fund accounts for major construction and self-supporting aviation-related activities rendered at John Wayne Airport (JWA), Orange County. At the end of FY 2002-03, there was an increase in change in fund net assets of \$21,369 that can be attributed to the following factors:

- A \$13,399 increase in capital contributions from the Federal Aviation Administration for grant reimbursement of Airport improvement projects including the completion of the federally mandated 100% Checked Baggage Screening Project.
- A \$6,691 decrease in transfers out due to the discontinuance of the airport project at the El Toro Marine Base.
- A \$6,191 increase in rents and concession revenues from parking, rental cars and airport concessions due to the increased number of passengers and level of travelers' activities in the airport.
- A \$2,587 increase in various expenses such as maintenance and repair of airport facilities and pavements and insurance costs due to the addition of terrorism coverage.
- A \$1,451 decrease in interest expense due to the refunding of Airport Revenue Refund Bonds, Series 1993 and principal reduction of Airport Revenue Refund Bonds, Series 1997.
- A \$1,343 increase in airport security costs.
- A \$1,307 increase in salaries and benefits due mainly to the conversion of sick leave to annual leave, a 4% general salary increase, higher retirement contribution rates, and higher health insurance premiums.

Waste Management

This fund 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 2002-03, there was a decrease in change in fund net assets of \$6,181 due to the following factors:

- A \$5,926 increase in the closure and postclosure costs of the Santiago Canyon Landfill.
- A \$4,181 decrease in interest income due to the decline in interest yield.
- A \$3,994 increase in charges for services due to an increase in the amount of tonnage of solid waste disposed at the landfills.
- A \$2,539 decrease in operating leases due to the termination of equipment leases.

- A \$1,963 increase in compensated employee absences due to the conversion of sick leave to annual leave.
- A \$1,944 increase in consultant costs due to the revision of the Frank R. Bowerman Landfill Master Plan.

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.

Original Budget vs. Final Amended Budget

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

Intergovernmental Revenues:

- An increased revenue budget of \$19,941 to restore funding in the Social Services Agency from the original State budget reduction of approximately 20% to the final State budget reduction of approximately 6%.
- A \$17,238 increase in revenues in the Health Care Agency (HCA) due to the Bio-Terrorism planning revenue transfer, anticipated reimbursement for the State mandated Handicapped and Disabled Students Mental Health program and Proposition 99 (*Tobacco Tax and Health Promotion Act*, which increased the state tobacco taxes) revenue adjustments based on the impact of the State's adopted budget.
- An increase of \$4,602 in budgeted revenues in the Registrar of Voters for reimbursement from the *Voting Modernization Bond Act of 2002 (Proposition 41)* and *Help America Vote Act of 2002*, which authorized the issuance of state bonds allowing counties to purchase modern voting equipment and replace outdated punch card systems, and which improved the administration of elections for Federal offices and replaced the punch card voting system, respectively.
- A \$4,398 increase in revenues in Sheriff-Coroner due to new grants for technology, equipment, and Domestic Preparedness.

Transfers In:

- A \$3,076 increase in the Social Services Agency revenue budget received from the Facilities Development and Maintenance Fund to cover the increased cost of the In-Home Supportive Services mandated entitlement program.
- An increase of \$2,240 in the Sheriff-Coroner due to funding for the Sheriff's portion of Mobile Data Computers (MDC) equipment through a budget adjustment that transferred the MDC program from the Sheriff-Coroner Communications Agency.

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

Miscellaneous:

Budget appropriations increased by \$2,000 to transfer funding from reserves to the Sheriff-Coroner Construction and Facilities Development Fund for the Central Jail Complex Fire Alarm System Construction Project.

District Attorney:

Because of cost cutting efforts and unanticipated revenues, the District Attorney had adequate funding to transfer \$9,589 to the Public Safety Sales Tax Excess Revenue Fund pursuant to Proposition 172 which was a voter-approved measure passed in 1994 establishing a ½ percent (0.5%) sales tax on an ongoing basis for local public safety programs.

Registrar of Voters:

An increase of \$4,602 for the initial payment of a new voting system.

Health Care Agency:

A \$16,419 increase to fund amendments to agreements for the Medical Services for Indigents Program, resulting from the State's adopted budget and a reallocation of Bio-Terrorism funding to the agency.

Sheriff-Coroner:

An \$18,748 increase was appropriated to fund the annual transfer to the Public Safety Sales Tax Excess Revenue Fund, in accordance with Proposition 172 (see District Attorney above).

Social Services Agency:

An increase of \$25,612 for the restoration of appropriations from the previously revised County budget to incorporate the impacts of the final state budget and to cover the costs of caseload growth.

Final Amended Budget vs. Actual Amounts

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

Intergovernmental Revenues:

- A \$22,536 negative variance caused by unspent appropriations for expenditure-driven grants in the Social Services Agency, resulting in lower state and federal revenues.
- A \$22,335 negative variance in HCA, caused by: lower than anticipated State Aid revenues for the California Children Services (CCS) program due to a change in the Support and Care Costs payments; deferral of reimbursement for the State mandated Handicapped and Disabled Students Mental Health, and other State mandated programs; reduction to the State Bio-terrorism Planning grant; reduction in revenue from Proposition 36, which is a voter approved measure allowing non-violent drug possession offenders to receive substance abuse treatment instead of incarceration.
- A \$5,035 negative variance due to lower than anticipated Proposition 172 Public Safety Sales Tax revenues received by the Sheriff-Coroner resulting from the slow-moving economy.
- A \$4,614 negative variance in the Watershed Management Program due to work deferrals and unfinished projects.
- A \$3,953 negative variance caused by a decrease in actual caseloads for the California Work Opportunities and Responsibility to Kids (CalWORKs) assistance budget.

Other Revenues:

- A \$3,688 negative variance in the CalWORKs program assistance budget due to lower caseloads and related costs with a related decrease in revenue.
- A \$3,184 negative variance in the Miscellaneous Agency caused by not implementing the Probation Safety retirement rate.
- A \$2,536 negative variance in HCA because an anticipated one-time revenue did not materialize.
- A \$2,023 negative variance in the Aid to Families with Dependent Children (AFDC) - Foster Care because child support revenues were less than projected.

Transfers In:

- A negative variance of \$10,783 in HCA because expenditures for Tobacco Settlement eligible projects were lower than budgeted, resulting in decreased transfers from the Tobacco Settlement Revenue (TSR) Fund.
- A negative variance of \$8,962 in the Capital Projects budget due to a deferral of transfers from the Designated Special Revenue Fund to finance projects deferred to the next fiscal period, such as ADA compliance projects and deferred maintenance of the Central Justice Center.
- A \$4,356 negative variance in the Social Services Agency because budgeted transfers from the Facilities Development and Maintenance Fund to cover shortfalls in Child Welfare Services (CWS),

In-Home Supportive Services (IHSS) provider payments, and the Medi-Cal program were unnecessary due to cost saving efforts.

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

Miscellaneous:

A positive variance of \$36,977 because there were no unexpected expenditures related to legal defense and settlements for County programs. This agency in the General Fund provides for such contingencies and is not anticipated to be spent unless the need arises.

County Executive Office:

A \$3,475 positive variance due to the reduction, redirection, postponement or cancellation of different issues and projects within the County Executive Office.

Child Support Services:

A positive variance of \$3,593 due to postponement of projects such as the file tracking system, learning resource center and payment processing front end system.

Watershed Management Program:

A \$9,358 positive variance due to lower than anticipated expenditures for the National Pollutant Discharge Elimination System (NPDES) program, deferred contributions to the Army Corp of Engineers for studies related to watershed projects, and deferral of three budgeted capital projects.

Capital Projects:

A \$40,418 positive variance due to unfinished capital projects, including three large multi-year Probation Department projects — a 60 Bed Expansion of Juvenile Hall, the replacement of 3 existing housing units, and ongoing construction of the department's facility maintenance projects, all of which were rebudgeted in FY 2003-04.

Data Systems Development Projects:

A \$4,095 positive variance due to budget reductions, which canceled some projects, while other data systems development projects were deferred to the following fiscal year.

Health Care Agency:

- A positive variance of \$24,396 due to under-expenditures in TSR funded projects, under-utilized master agreements and cost cutting measures in HCA.
- A positive variance of \$9,286 due to savings from early retirement of employees, employees taking time off rather than payoff and lower health insurance rates than anticipated.
- A \$5,229 positive variance due to payments for support and care associated with the CCS being paid directly by the State.

Sheriff Court Operations:

A positive variance of \$3,430 due to higher than anticipated vacant positions due to mid-year reduction of security services provided to courts as a result of insufficient State funding to the Court.

Sheriff-Coroner:

A positive variance of \$9,784 due to lower than anticipated expenditures for equipment maintenance resulting from work performed by an in-house technician, the deferral or reduction of some capital projects, and lower than anticipated expenditures for the MDC equipment.

Social Services Agency:

A \$33,867 positive variance due to deferral of some facility maintenance projects; cutting professional services contracts, temporary help, training, and costs applications to other departments; and under-spending of CalWORKs child care costs and the reduction of CalWORKs performance incentive funds for Children and Family Services relative caregiver/family preservation child care.

CalWORKs Family Group/Unemployed Parents:

A \$8,376 positive variance due to a lower number of caseloads for the CalWORKs assistance budget and lower average cost per caseload.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the County's capital assets for both the governmental and business-type activities amounted to \$2,760,195 net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, equipment, infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors), and construction in progress. The total increase in the County's investment in capital assets for the current year was 22% (a 26% increase for governmental activities and a 6% increase for business-type activities).

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

CAPITAL ASSETS
(Net of Depreciation)
June 30, 2003
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2003	2002	2003	2002	2003	2002	% Change
Land	\$ 475,695	\$ 474,191	\$ 34,108	\$ 32,748	\$ 509,803	\$ 506,939	1%
Structures and Improvements	463,557	467,375	178,563	188,567	642,120	655,942	(2)%
Equipment	108,691	94,371	24,607	24,138	133,298	118,509	12%
Infrastructure	833,461	399,848	189,733	186,488	1,023,194	586,336	75%
Construction in Progress	389,746	366,604	62,034	31,311	451,780	397,915	14%
Total	\$ 2,271,150	\$ 1,802,389	\$ 489,045	\$ 463,252	\$ 2,760,195	\$ 2,265,641	22%

The following lists the significant expenditures for capital assets in FY 2002-03:

- \$14,852 for the construction of the Theo Lacy Jail Phase II (Building A).
- \$14,762 for the construction of street improvements, off-site transportation improvements and a Sports Park in Ladera Ranch.
- \$10,474 for the final construction phase of the Coroner Training Facility that will be the base of operations for the Coroner Division and includes classrooms and training facilities for use by jurisdictions from all over California.
- \$6,701 for the improvements of several flood channels to carry out the 100-year design flow in cooperation with the Orange County Flood Control District (OCFCD) and the Federal Emergency Management Agency (FEMA).
- \$5,911 for the final construction phase of the Katella Sheriff's Training Facility that includes administrative offices, classrooms, pistol range, offices for the Hazardous Devices Squad and a parking lot.
- \$4,316 for the widening of the El Toro Road in Mission Viejo.

- \$2,088 for the floor-by-floor rehabilitation of all 13 stories of the Central Justice Center, including the replacement of heating, ventilation and air-conditioning systems and asbestos abatement.
- \$1,878 for the renovation of the Theo Lacy Barracks A, B, C, D and E.
- \$1,700 for the design, construction and maintenance of Coyote Creek, which flows between Whittier Boulevard and La Habra Boulevard as an earthen channel.
- \$1,481 associated with the 800 MHz Countywide Coordinated Communications System, which included the installation of three Intellirepeater sites: two in Newport Beach and one in San Clemente.
- \$1,247 for the construction of facility improvement projects to make various county facilities compliant with ADA.
- \$1,150 for the installation of a rubber dam and pumps along the Lower Talbert Santa Ana River Channel to divert and clean the water.
- \$1,119 for repairs and the stabilization of badly eroded portions of Serrano Creek.

In addition to the significant expenditures listed above, the County recorded a capital contribution of approximately \$425,000 when the U.S. Army Corps of Engineers turned over primary responsibility for managing the Seven Oaks Dam to the County. Seven Oaks Dam is a part of the Santa Ana River Mainstem Project, which is discussed more thoroughly in Note 14 to the financial statements.

Additional information on the County's capital assets can be found in Note 4 of this report.

Commitments for Capital Expenditures. At the end of FY 2002-03, significant commitments for capital expenditures include the following:

- \$15,645 for flood control channel projects.
- \$15,554 for the construction of Laguna Canyon Road, State Route 73 to Interstate 405.
- \$14,112 for the Theo Lacy Jail Construction.
- \$10,374 for 60 bed expansion construction of the Juvenile Hall.

Additional information on the County's commitments for capital expenditures can be found in Note 14 of this report.

Long-Term Debt

At June 30, 2003, the County had a total debt obligation outstanding of \$1,491,433, excluding capital lease obligations, compensated absences and other liabilities. During the year, \$136,690 of the bonds were retired, while \$48,680 was added, which resulted in a net decrease of 5% on the County's outstanding bond obligation. The County is limited by law in issuing general obligation bonded debt to 1.25 percent of the last equalized property tax roll. However, this does not affect the financing of any of the County's planned facilities or services because as of the end of the fiscal year, the County had no net general obligation bonded debt. The County's debt obligations are in the form of revenue bonds, certificates of participation, and other forms of debt not covered by the general obligation debt limitation law.

The following table summarizes the County's outstanding bonds at June 30, 2003:

LONG-TERM DEBT BOND OBLIGATIONS								
June 30, 2003								
(In Thousands)								
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)	
	2003	2002	2003	2002	2003	2002	% Change	
Revenue Bonds	\$ 287,282	\$ 296,747	\$ 208,490	\$ 239,325	\$ 495,772	\$ 536,072	(8)%	
Certificates of Participation	647,409	673,934	--	--	647,409	673,934	(4)%	
Pension Obligation Bonds	120,772	134,612	--	--	120,772	134,612	(10)%	
Recovery Bonds	240,110	247,455	--	--	240,110	247,455	(3)%	
Add: Premium on Bonds Payable	3,445	3,491	5,777	1,983	9,222	5,474	68%	
Less: Discount on Bonds Payable	--	--	--	(1,822)	--	(1,822)	(100)%	
Less: Deferred Amount on Refunding	(4,597)	(4,834)	(17,255)	(15,426)	(21,852)	(20,260)	8%	
Total	\$ 1,294,421	\$ 1,351,405	\$ 197,012	\$ 224,060	\$ 1,491,433	\$ 1,575,465	(5)%	

The following summarizes the County's long-term debt activity during FY 2002-03:

- *Airport Revenue Refunding Bonds, Series 2003.* On May 29, 2003, the County issued \$48,680 of Airport Revenue Refunding Bonds, Series 2003 at a premium of \$4,206. The proceeds of the bonds, together with certain monies on deposit with a trustee, were used to refund the outstanding Airport Revenue Refunding Bonds Series 1993, and to pay the costs of issuing the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,781. The difference is reported as a deferred amount on refunding of 2003 Revenue Bonds. The Airport completed the refunding to reduce its debt service payments over the next 15 years by \$24,000 and obtain an economic gain of \$6,187. The Series 2003 Bonds constitute limited obligations of the County, payable solely from net revenues of the Airport. The Series 2003 bonds are issued on a parity with the County's Airport Revenue Refunding Bonds Series 1997, and the scheduled payment of principal and interest on the Series 2003 Bonds is insured by Financial Security Assurance, Inc. As of June 30, 2003, the outstanding principal amount of the Series 2003 was \$52,886.
- *Teeter Plan Revenue Bond Remarketing.* In October 2002, \$700 of the Series A Bonds were retired, reducing the outstanding 1995 Series Bonds to \$123,725. Series A through E bonds have all been converted from fixed rate to variable rate. Interest rates, determined on a weekly basis, have ranged from 0.85 percent to 1.95 percent payable monthly; and currently, the full balance is being remarketed weekly.

Additional information on the County's long-term debt activity can be found in Note 9 of this report.

Bond Ratings

The County continues to maintain the issuer ratings of Aa2 from Moody's Investors Service and A+ from Standard & Poor's. 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 the basis for the rating.

In FY 2002-03, there were several changes in the County's underlying debt ratings as compared to the previous year, namely:

- Pension Obligation Bonds, as rated by Moody's, improved from A2 to Aa2.
- 2002 Lease Revenue Bonds from Fitch Ratings went from not rated to AA-.
- Airport Revenue Bonds, as rated by Standard and Poor's, improved from A to A+.

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

LONG-TERM DEBT RATINGS

June 30, 2003

	Moody's	Fitch	Standard and Poor's
Airport Revenues Bonds	Aa3	A+	A+
Waste Management Revenue Bonds	A2	A+	--
Pension Obligation Bonds	Aa2	AA-	A
Recovery Bonds	Aa3	--	--
2002 Lease Revenue Bonds	A1	AA-	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

- State Budget:** The Governor's January budget addressed an estimated FY 2003-04 shortfall of \$34,000,000 as a result of the economic downturn and declining revenues. A large element of the shortfall is a decline in receipts from the personal income tax on capital gains and stock options. On April 30, 2003, the Legislature approved a \$3,700,000 package that helped close the deficit. Included in the package were bills authorizing issuance of Pension Obligation Bonds to make the payment due to the State Employees Retirement Fund in FY 2003-04. The former Governor signed the FY 2003-04 State Budget on August 2, 2003. The final State budget balanced a general fund deficit with a combination of bond financing to cover the \$10,700,000 deficit from FY 2002-03, recognition of new Federal funds, tripling the vehicle license fees (VLF), recognizing other new revenues, and making program spending changes.

The FY 2002-03 State debt was to have been paid for beginning in FY 2004-05 by a sales tax/property tax swap known as the "triple flip." The state sales tax was to be raised by one-half cent dedicated to paying off the debt, with a corresponding reduction of one-half cent in the sales tax dedicated to local government. The lost sales tax dedicated to local government was to have been replaced with property tax currently going to education. Other state program spending cuts were to be made to continue the same funding level to education.

Subsequent to the adoption of the State budget with the above-outlined financing plan, the new State Governor proposed a revised financing plan to the State Legislature, which was approved by the Legislature and signed by the Governor on December 11, 2003. This plan proposes State Constitutional provisions to be voted on by the State's voters on March 2, 2004. The plan will finance the State's total FY 2002-03 and 2003-04 deficits of approximately \$15 billion with a deficit financing bond issue payable over 10 years. The bond will be financed by the same "triple flip" mechanism outlined above, except that the State sales tax increase to finance the bond debt will be only one-quarter percent, rather than one-half percent, with a corresponding reduction in local government sales taxes, offset by the transfer of property taxes from schools. The new Constitutional provisions will also require a balanced State budget in future years and the creation of a State Budget Stabilization

Account reserve of up to \$8 billion or five percent of the State budget, whichever is larger, beginning in FY 2006-07.

The VLF was tripled effective October 1, 2003, under the former Governor and then rescinded by the State's newly elected Governor in November. During the time the fees had been reduced, the State backfilled the reduction to hold counties and cities harmless. The State did not backfill these revenues for the months of July, August or September and plans to repay these revenues in August 2006. Due to the pledge of Orange County's VLF to pay bankruptcy recovery debt and the fact that VLF is a large portion of Orange County's general purpose revenues, we believe that Orange County qualifies under the hardship provisions and applied for hardship status. The State Controller made the full VLF payments to Orange County for July and August; however, the State has now requested the County to return those payments, since the State has failed to provide an appropriation for hardship cases. The October VLF payment was received in full, although the amount was smaller than usual due to amounts withheld for refunds and low collections at the Department of Motor Vehicles. In November, the State did not include a backfill payment to counties and it is unclear when or if counties will receive the backfill because there is no appropriation in the State Budget for the payment. During this year, the State has continued to make the intercept payment to the Trustee for bankruptcy recovery debt. The County is currently developing strategies to secure these funds and to make contingency budget plans if there is a reduction in these funds. Additional information on this topic can be found in Note 20 of this report.

With regard to other revenue and program spending impacts, the County adopted the impacts of the State's final adopted FY 2003-04 budget.

- Unfunded Actuarial Accrued Liability (UAAL): The Orange County Employees Retirement System (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 that provides members with retirement, death, disability and cost-of-living benefits. Refer to Note 18 for additional information on the County's Retirement Plans. In the OCERS December 31, 2002 Comprehensive Annual Financial Report, the UAAL was reported as \$978,079. The County's contribution represents approximately 84% of the total contributions required of all participating entities. The County's contributions to OCERS will increase significantly to pay the amortized UAAL.
- Reimbursements for State Mandated Costs: The California State constitution requires the State to reimburse the County for costs incurred in complying with certain mandates. This reimbursement process is commonly referred to as Senate Bill (SB) 90. Due to the State budget shortfall in FY 2002-03, the State deferred reimbursement of all SB 90 mandated costs, which resulted in the County having to pay for these costs from other sources such as from the General Fund. As of June 30, 2003, the State owed the County approximately \$45,809 in SB 90 reimbursements. While the State is obligated to repay the County for these costs, no payment date has been specified. Additionally, the State has deferred SB 90 reimbursements for FY 2003-04.
- Youth Leadership Academy (YLA): \$8,400 in State construction grant funding was approved for the Probation Department to build a 90-bed leadership academy for 60 boys and 30 girls in a relatively remote area of Trabuco Canyon on County-owned land. The County appropriated an additional \$11,500 in general funds for this project to meet the match requirement for the construction grant, build a new access road to the facility and take other mitigation measures, as necessary, to minimize disruption to the surrounding community and environs. However, an adverse court ruling was rendered on August 16, 2002, on the adequacy of the Academy's environmental impact report and other associated issues that required an immediate suspension of construction efforts. In response, the Probation Department sought authorization and received State approval to retain the original \$8,400 of grant funds and relocate the Academy onto the Juvenile Hall property in Orange. Accordingly, the need for the \$19,900 that was budgeted for the Academy project will

continue, not only for the facility's construction, but also to defray the costs arising from the premature conclusion to the originally planned construction project in Trabuco Canyon.

- In-Home Supportive Services: On August 26, 2003, the Board of Supervisors approved terms and conditions for employees in the In-Home Supportive Services (IHSS) Public Authority. The contract term is from September 1, 2003 through September 30, 2004. The contract provided a \$0.89/hour wage increase effective September 1, 2003. It would also provide funding for a Health Care Trust Fund at the rate of \$0.60/hour effective January 1, 2004. The current year cost impact of this contract is \$9,770. Approximately 80% is funded by Federal and State sources with the remainder from the County General Fund. For FY 2003-04, \$1,200 was included in the General Fund budget for this cost increase.

Business-Type Activities

- Amended Airport Settlement Agreement: The County's 1985 Settlement Agreement (Agreement) with the city of Newport Beach and other parties resulted in a 20-year master plan for John Wayne Airport (Airport). The master plan provided for expansion of the Airport's facilities, imposed noise regulations on Airport flight operations, and capped the number of passengers served to 8.4 million. With the impending expiration of the Agreement, the feasibility of amending the Agreement was explored. As a result, Environmental Impact Report (EIR) 582 was drafted, supporting amendments to the Agreement and outlining a number of long-term facility and capacity alternatives for the Airport. The parties to the Agreement approved amendments to the Agreement. Subsequent to the Board's certification of EIR 582 on June 25, 2002, the parties to the Agreement agreed to modifications to the amended Agreement in response to requests from the airlines serving the Airport. On December 10, 2002, the Board accepted Addendum 582-1 to EIR 582 and approved modifications to the amended Agreement.

The amended Agreement includes capacity enhancing modifications. The number of regulated commercial carrier flights increases from 73 average daily departures (ADDs) to 85 ADDs, effective January 1, 2003, through December 31, 2015. The increase in regulated flights allows the number of passengers to increase from a maximum of 8.4 million annual passengers (MAP) to 10.3 MAP beginning January 1, 2003, through December 31, 2010, and increasing to 10.8 MAP on January 1, 2011, through December 31, 2015. The increase in passengers will be accommodated through the increase in the permitted number of passenger loading gates from 14 to 20. The number of cargo flights is also allowed to increase from two ADDs to four ADDs. The Airport is currently studying the feasibility of enhancing facilities to accommodate the allowed increase in flights and passengers.

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, 2003
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Notes 1 and 3)	\$ 1,564,072	\$ 395,901	\$ 1,959,973	\$ 141,320
Restricted Cash and Cash Equivalents (Notes 1 and 3)	483,251	92,536	575,787	--
Investments (Notes 1 and 3)	6,809	24,830	31,639	--
Internal Balances	10,026	(10,026)	--	--
Due from Component Unit (Note 6)	440	--	440	--
Prepaid Costs (Notes 1 and 12)	165,144	3,952	169,096	--
Inventory of Materials and Supplies (Notes 1 and 12)	1,873	--	1,873	--
Land and Improvements Held for Resale (Notes 1 and 12)	2,141	--	2,141	--
Receivables (Net) (Note 5)	319,037	17,708	336,745	9,113
Capital Assets (Notes 1 and 4)				
Not Depreciated	865,441	96,142	961,583	--
Depreciable (Net)	1,405,709	392,903	1,798,612	11
Total Capital Assets	2,271,150	489,045	2,760,195	11
Total Assets	4,823,943	1,013,946	5,837,889	150,444
LIABILITIES				
Accounts Payable	80,340	14,501	94,841	4,976
Salaries and Employee Benefits Payable	47,274	1,058	48,332	59
Interest Payable	22,711	268	22,979	--
Deposits from Others	66,402	37,598	104,000	--
Due to Primary Government (Note 6)	--	--	--	440
Due to Other Governmental Agencies	29,305	2,079	31,384	233
Deferred Revenue	109,255	2,074	111,329	4
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 15)	50,883	--	50,883	--
Compensated Employee Absences Payable (Notes 1 and 9)	81,517	2,115	83,632	105
Pool Participant Claims (Note 9)	800	--	800	--
Capital Lease Obligations Payable (Notes 9 and 11)	9,192	--	9,192	--
Bonds Payable (Note 9)	54,856	10,502	65,358	--
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	9,284	9,284	--
Due in More than One Year				
Insurance Claims Payable (Notes 1 and 15)	61,258	--	61,258	--
Compensated Employee Absences Payable (Notes 1 and 9)	66,652	2,401	69,053	--
Arbitrage Rebate Payable (Note 9)	23	31	54	--
Pool Participant Claims (Note 9)	1,600	--	1,600	--
Capital Lease Obligations Payable (Notes 9 and 11)	49,041	--	49,041	--
Bonds Payable (Note 9)	1,239,565	186,510	1,426,075	--
Interest Accretion on Capital Appreciation Bonds Payable (Note 9)	62,108	--	62,108	--
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	171,937	171,937	--
Total Liabilities	2,032,782	440,358	2,473,140	5,817
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,183,152	293,959	2,477,111	11
Restricted (Note 1)				
Nonexpendable	87	--	87	--
Expendable	982,774	279,629	1,262,403	144,616
Unrestricted (Deficit) (Note 1)	(374,852)	--	(374,852)	--
Total Net Assets	\$ 2,791,161	\$ 573,588	\$ 3,364,749	\$ 144,627

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, 2003
(In Thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit	Functions/Programs
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total		
						Governmental Activities	Business-Type Activities			
Primary Government									Primary Government	
Governmental Activities									Governmental Activities	
General Government	\$ 230,635	\$ (37,443)	\$ 35,668	\$ 131,357	\$ 83,623	\$ 57,456	\$ --	\$ 57,456	General Government	
Public Protection	870,572	22,245	247,228	423,755	425,557	203,723	--	203,723	Public Protection	
Public Ways and Facilities	74,247	314	33,516	32,428	--	(8,617)	--	(8,617)	Public Ways and Facilities	
Health and Sanitation	435,990	5,057	73,438	292,990	659	(73,960)	--	(73,960)	Health and Sanitation	
Public Assistance	734,409	6,385	4,607	659,193	--	(76,994)	--	(76,994)	Public Assistance	
Education	28,516	592	6,072	1,822	--	(21,214)	--	(21,214)	Education	
Recreation and Cultural Services	68,508	1,765	30,622	3,505	472	(35,674)	--	(35,674)	Recreation and Cultural Services	
Interest on Long-Term Debt	53,853	--	--	--	--	(53,853)	--	(53,853)	Interest on Long-Term Debt	
Total Governmental Activities	<u>2,496,730</u>	<u>(1,085)</u>	<u>431,151</u>	<u>1,545,050</u>	<u>510,311</u>	<u>(9,133)</u>	<u>--</u>	<u>(9,133)</u>	Total Governmental Activities	
Business-Type Activities									Business-Type Activities	
Airport	75,310	460	83,330	2,750	15,009	--	25,319	25,319	Airport	
Waste Management	78,592	625	107,858	7,744	1,365	--	37,750	37,750	Waste Management	
Total Business-Type Activities	<u>153,902</u>	<u>1,085</u>	<u>191,188</u>	<u>10,494</u>	<u>16,374</u>	<u>--</u>	<u>63,069</u>	<u>63,069</u>	Total Business-Type Activities	
Total Primary Government	<u>\$ 2,650,632</u>	<u>\$ --</u>	<u>\$ 622,339</u>	<u>\$ 1,555,544</u>	<u>\$ 526,685</u>	<u>(9,133)</u>	<u>63,069</u>	<u>53,936</u>	Total Primary Government	
Component Unit									Component Unit	
O.C. Children and Families									O.C. Children and Families	
Commission	<u>\$ 27,245</u>	<u>\$ --</u>	<u>\$ 159</u>	<u>\$ 43,479</u>	<u>\$ --</u>			<u>\$ 16,393</u>	Commission	
General Revenues										
Taxes										
Property Taxes, Levied for General Fund						180,671	--	180,671	--	Property Taxes, Levied for General Fund
Property Taxes, Levied for Flood Control District						45,397	--	45,397	--	Property Taxes, Levied for Flood Control District
Property Taxes, Levied for Harbors, Beaches and Parks						33,761	--	33,761	--	Property Taxes, Levied for Harbors, Beaches and Parks
Property Taxes, Levied for Public Library						24,243	--	24,243	--	Property Taxes, Levied for Public Library
Property Tax Increments						19,364	--	19,364	--	Property Tax Increments
Other Taxes						51,694	--	51,694	--	Other Taxes
Grants and Contributions Not Restricted to Specific Programs						22,707	--	22,707	--	Grants and Contributions Not Restricted to Specific Programs
State Allocation of Vehicle License Fees						178,446	--	178,446	--	State Allocation of Vehicle License Fees
Unrestricted Investment Earnings						18,195	--	18,195	--	Unrestricted Investment Earnings
Miscellaneous Revenues						46,258	537	46,795	22	Miscellaneous Revenues
Transfers (Note 1)						13,419	(13,419)	--	--	Transfers (Note 1)
Total General Revenues and Transfers						<u>634,155</u>	<u>(12,882)</u>	<u>621,273</u>	<u>22</u>	Total General Revenues and Transfers
Change in Net Assets						625,022	50,187	675,209	16,415	Change in Net Assets
Net Assets - Beginning of Year						2,166,139	523,401	2,689,540	128,212	Net Assets - Beginning of Year
Net Assets - End of Year						<u>\$ 2,791,161</u>	<u>\$ 573,588</u>	<u>\$ 3,364,749</u>	<u>\$ 144,627</u>	Net Assets - End of Year

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

**COUNTY OF ORANGE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003
(In Thousands)**

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding & Recovery COPs & Debt Prepayment	Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds
ASSETS									
Pooled Cash/Investments (Notes 1 and 3)	\$ 391,877	\$ 153,402	\$ 8,707	\$ 28,595	\$ 94,839	\$ 268,325	\$ 49,810	\$ 432,142	\$ 1,427,697
Imprest Cash Funds (Notes 3 and 12)	1,267	--	53	--	--	--	--	13	1,333
Restricted Cash and Investments with Trustee (Note 3)	--	--	--	--	145,412	--	--	337,839	483,251
Investments (Notes 1 and 3)	--	--	--	--	--	--	--	6,809	6,809
Receivables									
Accounts	19,448	165	154	839	--	795	1,847	831	24,079
Taxes (Note 1)	4,590	--	641	--	--	1,229	910	21,391	28,761
Interest/Dividends	--	--	--	--	--	--	--	8	8
Deposits	2,205	349	--	--	--	12,952	--	2,711	18,217
Loans	30	--	--	--	--	20	843	--	893
Leases	89	--	--	--	--	--	--	--	89
Allowance for Uncollectible Receivables	(539)	(33)	--	--	--	(10)	(8)	(4)	(594)
Due from Other Funds (Note 6)	39,032	2,795	929	4	210	1,709	492	41,163	86,334
Due from Component Unit (Note 6)	436	--	--	--	--	--	--	--	436
Due from Other Governmental Agencies	212,464	4,205	128	--	--	1,815	676	4,055	223,343
Inventory of Materials and Supplies (Notes 1 and 12)	364	93	--	--	--	218	104	480	1,259
Prepaid Costs (Notes 1 and 12)	2	--	--	--	--	--	--	1,151	1,153
Land and Improvements Held for Resale (Notes 1 and 12)	--	--	--	--	--	--	--	2,141	2,141
Notes Receivables	--	--	--	--	--	--	--	16,861	16,861
Total Assets	<u>\$ 671,265</u>	<u>\$ 160,976</u>	<u>\$ 10,612</u>	<u>\$ 29,438</u>	<u>\$ 240,461</u>	<u>\$ 287,053</u>	<u>\$ 54,674</u>	<u>\$ 867,591</u>	<u>\$ 2,322,070</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 59,240	\$ 1,838	\$ 878	\$ --	\$ --	\$ 4,111	\$ 3,156	\$ 8,956	\$ 78,179
Salaries and Employee Benefits Payable	42,930	593	841	--	--	667	675	1,151	46,857
Deposits from Others	1,351	43,990	1,574	--	--	7,797	4,773	6,917	66,402
Due to Other Funds (Note 6)	41,115	1,755	90	8,142	1,115	6,531	3,014	16,916	78,678
Due to Other Governmental Agencies	13,665	26	--	--	--	1,559	110	5,072	20,432
Deferred Revenue (Note 1)	192,335	2,927	836	--	--	4,704	1,891	14,547	217,240
Total Liabilities	<u>350,636</u>	<u>51,129</u>	<u>4,219</u>	<u>8,142</u>	<u>1,115</u>	<u>25,369</u>	<u>13,619</u>	<u>53,559</u>	<u>507,788</u>
Fund Balances									
Reserved (Note 12)	160,945	87,764	3,552	--	145,412	178,705	25,173	441,592	1,043,143
Unreserved, Reported in:									
General Fund	159,684	--	--	--	--	--	--	--	159,684
Special Revenue Funds	--	22,083	2,841	21,296	93,934	82,979	15,882	191,320	430,335
Debt Service Funds	--	--	--	--	--	--	--	1,354	1,354
Capital Projects Funds	--	--	--	--	--	--	--	179,733	179,733
Permanent Fund	--	--	--	--	--	--	--	33	33
Total Fund Balances	<u>320,629</u>	<u>109,847</u>	<u>6,393</u>	<u>21,296</u>	<u>239,346</u>	<u>261,684</u>	<u>41,055</u>	<u>814,032</u>	<u>1,814,282</u>
Total Liabilities and Fund Balances	<u>\$ 671,265</u>	<u>\$ 160,976</u>	<u>\$ 10,612</u>	<u>\$ 29,438</u>	<u>\$ 240,461</u>	<u>\$ 287,053</u>	<u>\$ 54,674</u>	<u>\$ 867,591</u>	<u>\$ 2,322,070</u>

	ASSETS
Pooled Cash/Investments (Notes 1 and 3)	\$ 1,427,697
Imprest Cash Funds (Notes 3 and 12)	1,333
Restricted Cash and Investments with Trustee (Note 3)	483,251
Investments (Notes 1 and 3)	6,809
Receivables	
Accounts	24,079
Taxes (Note 1)	28,761
Interest/Dividends	8
Deposits	18,217
Loans	893
Leases	89
Allowance for Uncollectible Receivables	(594)
Due from Other Funds (Note 6)	86,334
Due from Component Unit (Note 6)	436
Due from Other Governmental Agencies	223,343
Inventory of Materials and Supplies (Notes 1 and 12)	1,259
Prepaid Costs (Notes 1 and 12)	1,153
Land and Improvements Held for Resale (Notes 1 and 12)	2,141
Notes Receivables	16,861
Total Assets	<u>\$ 2,322,070</u>

LIABILITIES AND FUND BALANCES

	LIABILITIES AND FUND BALANCES
Liabilities	
Accounts Payable	\$ 78,179
Salaries and Employee Benefits Payable	46,857
Deposits from Others	66,402
Due to Other Funds (Note 6)	78,678
Due to Other Governmental Agencies	20,432
Deferred Revenue (Note 1)	217,240
Total Liabilities	<u>507,788</u>
Fund Balances	
Reserved (Note 12)	1,043,143
Unreserved, Reported in:	
General Fund	159,684
Special Revenue Funds	430,335
Debt Service Funds	1,354
Capital Projects Funds	179,733
Permanent Fund	33
Total Fund Balances	<u>1,814,282</u>
Total Liabilities and Fund Balances	<u>\$ 2,322,070</u>

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

COUNTY OF ORANGE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003
(Dollar Amounts in Thousands)

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. The difference in fund balances of \$976,879 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		\$ 1,814,282
<p>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:</p>		
Land	\$ 475,695	
Structures and improvements	747,894	
Equipment	224,523	
Infrastructure	1,104,098	
Construction in progress	389,144	
Accumulated depreciation	<u>(692,596)</u>	2,248,758
<p>Other assets used in governmental activities do not consume current financial resources and therefore, are not reported in the governmental funds:</p>		
Prepaid pension asset	162,632	
Unamortized bond issuance cost	<u>1,359</u>	163,991
<p>Internal Service Funds primarily serve governmental funds and consequently the assets and liabilities of Internal Service Funds are incorporated as part of governmental activities for purposes of government-wide financial reporting. In addition, the cumulative internal balance resulting from last year's allocation of Internal Service Funds to Business-type Activities are also reported in the Statement of Net Assets.</p>		
		50,675
<p>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. Any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.</p>		
		86,774
<p>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.</p>		
		21,968
<p>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 \$1,595,287, which consisted of the following:</p>		
Bonds and COPs payable, net	(1,294,420)	
Compensated employee absences payable	(146,524)	
Pool participants claims	(2,400)	
Capital lease obligations payable	(58,233)	
Arbitrage rebate payable	(23)	
Interest payable on bonds and capital lease obligations payable	(22,711)	
Interest accretion on capital appreciation bonds payable	(62,108)	
Due to other governmental agencies for additional pension expense	<u>(8,868)</u>	(1,595,287)
accrual		
Net assets of governmental activities		<u>\$ 2,791,161</u>

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, 2003
(In Thousands)

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding & Recovery COPs & Debt Prepayment	Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds	
Revenues										Revenues
Taxes	\$ 221,223	\$ --	\$ 23,600	\$ --	\$ --	\$ 44,158	\$ 32,843	\$ 19,602	\$ 341,426	Taxes
Licenses, Permits, and Franchises	6,649	360	4,889	--	--	166	301	3,365	15,730	Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties	48,623	9	8	--	--	16	25	19,725	68,406	Fines, Forfeitures and Penalties
Use of Money and Property	11,859	2,630	114	372	10,833	5,528	23,257	62,850	117,443	Use of Money and Property
Intergovernmental Revenues	1,355,112	27,169	1,898	35,853	21,831	26,371	3,066	154,339	1,625,639	Intergovernmental Revenues
Charges for Services	307,929	13,436	1,164	--	--	8,866	7,923	6,291	345,609	Charges for Services
Contributions from Property Owners	--	--	--	--	--	--	--	83,468	83,468	Contributions from Property Owners
Other Revenues	120,723	506	1,263	--	--	1,970	5,773	7,442	137,677	Other Revenues
Total Revenues	2,072,118	44,110	32,936	36,225	32,664	87,075	73,188	357,082	2,735,398	Total Revenues
Expenditures										Expenditures
Current										Current
General Government	197,922	--	--	29	85	--	--	23,941	221,977	General Government
Public Protection	748,922	--	--	--	--	43,812	--	33,498	826,232	Public Protection
Public Ways and Facilities	26,058	35,357	--	--	--	--	--	7,108	68,523	Public Ways and Facilities
Health and Sanitation	435,898	--	--	--	--	--	--	--	435,898	Health and Sanitation
Public Assistance	612,374	--	--	--	--	--	--	112,069	724,443	Public Assistance
Education	--	--	27,684	--	--	--	--	--	27,684	Education
Recreation and Cultural Services	--	--	--	--	--	--	66,262	1,392	67,654	Recreation and Cultural Services
Capital Outlay	17,536	3,456	4,291	--	--	12,180	5,185	107,266	149,914	Capital Outlay
Debt Service										Debt Service
Principal Retirement	3,362	--	259	--	31,665	--	--	25,890	61,176	Principal Retirement
Interest	4,227	--	445	--	51,996	--	--	15,253	71,921	Interest
Debt Issuance Costs	--	--	--	--	--	--	--	43	43	Debt Issuance Costs
Total Expenditures	2,046,299	38,813	32,679	29	83,746	55,992	71,447	326,460	2,655,465	Total Expenditures
Excess (Deficit) of Revenues										Excess (Deficit) of Revenues
Over Expenditures	25,819	5,297	257	36,196	(51,082)	31,083	1,741	30,622	79,933	Over Expenditures
Other Financing Sources (Uses)										Other Financing Sources (Uses)
Transfers In (Note 8)	95,671	--	--	24	98,017	--	--	88,215	281,927	Transfers In (Note 8)
Transfers Out (Note 8)	(160,348)	--	--	(35,519)	(8,417)	(2,729)	--	(62,524)	(269,537)	Transfers Out (Note 8)
Capital Leases (Note 11)	2,817	--	--	--	--	--	--	--	2,817	Capital Leases (Note 11)
Net Change in Fund Balances	(36,041)	5,297	257	701	38,518	28,354	1,741	56,313	95,140	Net Change in Fund Balances
Fund Balances - Beginning of Year	356,670	104,550	6,136	20,595	200,828	233,330	39,314	757,719	1,719,142	Fund Balances - Beginning of Year
Fund Balances - End of Year	<u>\$ 320,629</u>	<u>\$ 109,847</u>	<u>\$ 6,393</u>	<u>\$ 21,296</u>	<u>\$ 239,346</u>	<u>\$ 261,684</u>	<u>\$ 41,055</u>	<u>\$ 814,032</u>	<u>\$ 1,814,282</u>	Fund Balances - End of Year

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



**COUNTY OF ORANGE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2003
(Dollar Amounts in Thousands)**

The "net change in fund balances" for governmental funds of \$95,140 in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the "change in net assets" for governmental activities of \$625,022 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	\$	95,140
--	----	--------

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. In addition, donations, transfers, sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation expense, must be reported or removed in the government-wide financial statements.

465,862

The payment of principal on long-term debt or the payment of other long-term liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. This transaction does not have any effect on net assets in the government-wide financial statements. The details of the \$61,692 principal and other long-term liability payments are as follows:

Principal and other long-term liability payments:

Bonds payable	\$ 57,175		
Option B pool participant claims	800		
Capital lease obligations	3,692		
Arbitrage Rebate payable	25		
	25		61,692

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. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds. For government-wide reporting purposes, the changes in the deferred revenue accounts are analyzed to determine the revenues on a full accrual basis. The details of this \$55,952 difference are as follows:

Government mandated and voluntary nonexchange revenues earned in FY 02-03	53,226		
Property tax revenues levied in FY 02-03 but not available	2,726		
	2,726		55,952

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 \$55,516 difference are as follows:

Accrued interest expense on bonds payable	(22,711)		
Reversal of prior year's interest expense accrual	51,694		
Amortization of bond issuance costs	(10)		
Amortization of deferred amount on bond refund	(213)		
Compensated employee absences	(32,384)		
Pension costs and amortization of the County's investment account with OCERS	(41,289)		
Interest accretion on capital appreciation bonds	(10,603)		
	(10,603)		(55,516)

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 loss of Internal Service Funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of the Internal Service Funds are recorded in governmental activities.

1,892

Change in net assets of governmental activities	\$	<u>625,022</u>
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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, 2003
(In Thousands)

	Open Encumbrances		Mid-Year Budget		Actual Revenues & Expenditures		Variance		Variance		
	July 1, 2002	Original Budget	Adjustments	Final Budget	on Budgetary Basis	Positive (Negative)	Open Encumbrances	Unspent Appropriations	June 30, 2003		
Revenues and Other Financing Sources											Revenues and Other Financing Sources
Taxes		\$ 213,265	\$ 1,497	\$ 214,762	\$ 221,223	\$ 6,461					Taxes
Licenses, Permits, and Franchises		6,563	99	6,662	6,649	(13)					Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties		37,892	3,530	41,422	48,623	7,201					Fines, Forfeitures and Penalties
Use of Money and Property		14,647	--	14,647	11,859	(2,788)					Use of Money and Property
Intergovernmental Revenues		1,361,038	49,421	1,410,459	1,355,112	(55,347)					Intergovernmental Revenues
Charges for Services		324,879	(2,794)	322,085	307,929	(14,156)					Charges for Services
Other Revenues		156,255	(5,298)	150,957	120,723	(30,234)					Other Revenues
Transfers In		113,473	10,005	123,478	95,671	(27,807)					Transfers In
Capital Leases		--	--	--	2,817	2,817					Capital Leases
Total Revenues and Other Financing Sources		<u>2,228,012</u>	<u>56,460</u>	<u>2,284,472</u>	<u>2,170,606</u>	<u>(113,866)</u>					Total Revenues and Other Financing Sources
Expenditures/Encumbrances and Other Financing Uses											Expenditures/Encumbrances and Other Financing Uses
General Government:											General Government:
Assessor	\$	740	27,341	444	28,525	27,874	651	\$	491	\$	160
Auditor-Controller		850	13,597	(249)	14,198	13,034	1,164		765		399
Board of Supervisors - 1st District		2	679	--	681	619	62		2		60
Board of Supervisors - 2nd District		2	673	--	675	651	24		--		24
Board of Supervisors - 3rd District		4	673	--	677	626	51		1		50
Board of Supervisors - 4th District		2	679	(5)	676	630	46		5		41
Board of Supervisors - 5th District		2	671	4	677	662	15		1		14
Capital Acquisition Financing		--	8,993	83	9,076	6,808	2,268		--		2,268
Capital Projects		12,105	52,415	(3,706)	60,814	9,339	51,475	19,512			31,963
Clerk of the Board		135	2,296	57	2,488	2,283	205		34		171
County Counsel		246	8,072	(15)	8,303	4,977	3,326		451		2,875
County Executive Office		2,034	23,910	(1,419)	24,525	17,937	6,588	1,845			4,743
Data Systems		623	--	--	623	57	566		--		566
Data Systems Development Project		3,694	18,410	(1,545)	20,559	14,056	6,503	2,724			3,779
Employee Benefits		52	6,941	--	6,993	5,643	1,350		92		1,258
Internal Audit		64	2,236	(6)	2,294	1,902	392		43		349
Miscellaneous		--	151,898	1,527	153,425	109,840	43,585	--	--		43,585
Office of Protocol and International Business Development		--	465	--	465	233	232		--		232
Provisions For Contingencies		--	5,000	--	5,000	--	5,000		--		5,000
Recovery Certificates of Participation Lease Financing		--	66,207	1,971	68,178	68,178	--		--		--
Registrar of Voters		973	9,371	4,602	13,946	13,866	1,080	564			516
Treasurer-Tax Collector		106	10,843	1,902	12,851	12,582	269		71		198
Utilities		585	19,027	(75)	19,537	18,383	1,154	418			736
Public Protection:											Public Protection:
Alternate Defense		--	9,849	6	9,855	9,853	2	--	--		2
Child Support Services		79	66,836	(5,841)	61,074	55,485	5,589	173			5,416
Clerk-Recorder		153	7,914	(15)	8,052	7,400	652		287		365
Detention Release		5	1,248	15	1,268	1,260	8		--		8
District Attorney		2,004	71,558	5,382	78,944	77,239	1,705	529			1,176
Emergency Management Division		69	1,282	246	1,597	825	772		156		616
Grand Jury		3	515	1	519	444	75		--		75
Juvenile Justice Commission		--	176	--	176	162	14		--		14
Planning and Development Services Department		283	13,397	(4,069)	9,611	8,596	1,015	126			889
Probation		6,554	125,816	754	133,124	126,115	7,009	3,128			3,881
Public Defender		143	44,267	--	44,410	41,908	2,502	155			2,347
Sheriff-Coroner		8,231	345,230	13,897	367,358	346,038	21,320	7,635			13,685
Sheriff-Coroner Communications		140	15,664	(6,047)	9,757	8,455	1,302	110			1,192
Sheriff Court Operations		31	40,186	--	40,217	36,592	3,625	82			3,543
Trial Courts		222	68,881	330	69,433	68,769	664	228			436
Public Ways and Facilities:											Public Ways and Facilities:
Public Facilities and Resources Department		1,749	42,967	(1,013)	43,703	26,407	17,296	1,551			15,745
Health and Sanitation:											Health and Sanitation:
Health Care Agency		3,529	457,230	14,921	475,880	432,725	42,955	3,553			39,402
Watershed Management Program		5,269	22,054	(275)	27,048	11,722	15,326	2,445			12,881
Public Assistance:											Public Assistance:
Aid to Families with Dependent Children - Foster Care		352	116,195	--	116,547	112,336	4,211	321			3,890
Aid to Refugees		--	714	--	714	288	426	--	--		426
California Work Opportunities and Responsibility to Kids		--	120,557	--	120,557	112,181	8,376	--	--		8,376
Community Services Agency		1,109	19,581	2,461	23,151	20,988	2,163	730			1,433
General Relief		--	1,430	--	1,430	927	503	--	--		503
Social Services Agency		21,018	387,804	23,128	431,950	369,752	62,198	6,958			55,240
Total Expenditures/Encumbrances and Other Financing Uses		<u>73,162</u>	<u>2,411,748</u>	<u>47,451</u>	<u>2,532,361</u>	<u>2,206,647</u>	<u>325,714</u>	<u>\$ 55,186</u>			<u>\$ 270,528</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures Encumbrances and Other Financing Uses		(73,162)	(183,736)	9,009	(247,889)	(36,041)	\$ 211,848				
Fund Balances - Beginning of Year		--	128,150	--	128,150	356,670					Fund Balances - Beginning of Year
Cancellation of Reserves/Designations		--	56,586	--	56,586	50,571					Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances		73,162	--	--	73,162	55,186					Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations		--	(1,000)	(9,009)	(10,009)	(105,757)					Provisions for Reserves and/or Designations
Fund Balances - End of Year	\$	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 320,629</u>					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	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2003	Unspent Appropriations
Revenues and Other Financing Sources								
Licenses, Permits, and Franchises		\$ 559	\$ --	\$ 559	\$ 360	\$ (199)		
Fines, Forfeitures and Penalties		15	--	15	9	(6)		
Use of Money and Property		4,265	--	4,265	2,630	(1,635)		
Intergovernmental Revenues		29,343	--	29,343	27,169	(2,174)		
Charges for Services		16,935	--	16,935	13,436	(3,499)		
Other Revenues		11,127	--	11,127	506	(10,621)		
Transfers In		2,000	--	2,000	--	(2,000)		
Total Revenues and Other Financing Sources		<u>64,244</u>	<u>--</u>	<u>64,244</u>	<u>44,110</u>	<u>(20,134)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Ways and Facilities:								
Roads	\$ 6,096	85,110	--	91,206	37,252	53,954	\$ 23,055	\$ 30,899
Foothill Circulation Phasing Plan	3,008	7,784	(3,227)	7,565	1,561	6,004	2,156	3,848
Total Expenditures/Encumbrances and Other Financing Uses	<u>9,104</u>	<u>92,894</u>	<u>(3,227)</u>	<u>98,771</u>	<u>38,813</u>	<u>59,958</u>	<u>\$ 25,211</u>	<u>\$ 34,747</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(9,104)	(28,650)	3,227	(34,527)	5,297	<u>\$ 39,824</u>		
Fund Balances - Beginning of Year	--	14,148	--	14,148	104,550			
Cancellation of Reserves/Designations	--	14,502	--	14,502	(87,764)			
Fund Balance Reserved for Encumbrances	9,104	--	--	9,104	25,211			
Provisions for Reserves and/or Designations	--	--	(3,227)	(3,227)	62,553			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 109,847</u>			

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, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Budget Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance		
							Open Encumbrances June 30, 2003	Unspent Appropriations	
Revenues and Other Financing Sources									Revenues and Other Financing Sources
Taxes		\$ 23,535	\$ --	\$ 23,535	\$ 23,600	\$ 65			Taxes
Licenses, Permits, and Franchises		--	--	--	4,889	4,889			Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties		8	--	8	8	--			Fines, Forfeitures and Penalties
Use of Money and Property		218	--	218	114	(104)			Use of Money and Property
Intergovernmental Revenues		2,293	(327)	1,966	1,898	(68)			Intergovernmental Revenues
Charges for Services		1,166	--	1,166	1,164	(2)			Charges for Services
Other Revenues		5,648	2,588	8,236	1,263	(6,973)			Other Revenues
Transfers In		1,320	1,543	2,863	--	(2,863)			Transfers In
Total Revenues and Other Financing Sources		<u>34,188</u>	<u>3,804</u>	<u>37,992</u>	<u>32,936</u>	<u>(5,056)</u>			Total Revenues and Other Financing Sources
Expenditures/Encumbrances and Other Financing Uses									Expenditures/Encumbrances and Other Financing Uses
Educational:									Educational:
Public Library - Capital	\$ 426	7,435	2,788	10,649	4,554	6,095	\$ 728	\$ 5,367	Public Library - Capital
Public Library	622	28,382	2,261	31,265	28,125	3,140	754	2,386	Public Library
Total Expenditures/Encumbrances and Other Financing Uses	<u>1,048</u>	<u>35,817</u>	<u>5,049</u>	<u>41,914</u>	<u>32,679</u>	<u>9,235</u>	<u>1,482</u>	<u>7,753</u>	Total Expenditures/Encumbrances and Other Financing Uses
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(1,048)	(1,629)	(1,245)	(3,922)	257	<u>4,179</u>			Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses
Fund Balances - Beginning of Year	--	1,629	--	1,629	6,136				Fund Balances - Beginning of Year
Cancellation of Reserves/Designations	--	--	--	--	(3,552)				Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances	1,048	--	--	1,048	1,462				Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations	--	--	1,245	1,245	2,070				Provisions for Reserves and/or Designations
Fund Balances - End of Year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,323</u>				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, 2003
 (In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Budget Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2003	Unspent Appropriations
Revenues and Other Financing Sources								
Use of Money and Property		\$ 61	\$ --	\$ 61	\$ 372	\$ 311		
Intergovernmental Revenues		34,381	--	34,381	35,853	1,472		
Transfers In		--	--	--	24	24		
Total Revenues and Other Financing Sources		<u>34,442</u>	<u>--</u>	<u>34,442</u>	<u>36,249</u>	<u>1,807</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Tobacco Settlement Fund	\$ --	50,450	1,532	51,982	33,778	18,204	\$ --	\$ 18,204
Tobacco Settlement Funds	--	2,172	883	3,055	1,770	1,285	--	1,285
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>52,622</u>	<u>2,415</u>	<u>55,037</u>	<u>35,548</u>	<u>19,489</u>	<u>\$ --</u>	<u>\$ 19,489</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(18,180)	(2,415)	(20,595)	701	<u>\$ 21,296</u>		
Fund Balances - Beginning of Year	--	18,180	--	18,180	20,595			
Cancellation of Reserves/Designations	--	--	2,415	2,415	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 21,296</u>			

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, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Budget Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2003	Unspent Appropriations
Revenues and Other Financing Sources								
Use of Money and Property		\$ 3,427	\$ --	\$ 3,427	\$ 10,833	\$ 7,406		
Intergovernmental Revenues		21,831	--	21,831	21,831	--		
Transfers In		35,518	--	35,518	98,017	62,499		
Total Revenues and Other Financing Sources		<u>60,776</u>	<u>--</u>	<u>60,776</u>	<u>130,681</u>	<u>69,905</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Debt Prepayment Fund	\$ --	94,723	412	95,135	1,191	93,944	\$ --	\$ 93,944
Refunding Recovery Bonds	--	53,123	29	53,152	23,018	30,134	--	30,134
Recovery COP Trustee Activity (Non-Budgeted Fund)	--	--	--	--	67,954	(67,954)	--	--
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>147,846</u>	<u>441</u>	<u>148,287</u>	<u>92,163</u>	<u>56,124</u>	<u>\$ --</u>	<u>\$ --</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(87,070)	(441)	(87,511)	38,518	<u>\$ 126,029</u>		
Fund Balances - Beginning of Year	--	87,070	--	87,070	200,828	--		
Cancellation of Reserves/Designations	--	--	441	441	--	--		
Fund Balance Reserved for Encumbrances	--	--	--	--	--	--		
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 239,346</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
Recovery COP Trustee Activity (Non-Budgeted Fund)
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
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, 2003
(In Thousands)

	Open Encumbrances	Original Budget	Mid-Year Budget	Final Budget	Actual Revenues	Variance	Variance		
	July 1, 2002		Adjustments		& Expenditures	Positive	Open Encumbrances	Unspent	
					on Budgetary Basis	(Negative)	June 30, 2003	Appropriations	
Revenues and Other Financing Sources									Revenues and Other Financing Sources
Taxes		\$ 42,628	\$ --	\$ 42,628	\$ 44,158	\$ 1,530			Taxes
Licenses, Permits, and Franchises		233	--	233	166	(67)			Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties		700	--	700	16	(684)			Fines, Forfeitures and Penalties
Use of Money and Property		9,897	--	9,897	5,528	(4,369)			Use of Money and Property
Intergovernmental Revenues		15,287	--	15,287	26,371	11,084			Intergovernmental Revenues
Charges for Services		7,806	--	7,806	8,866	1,060			Charges for Services
Other Revenues		1,813	--	1,813	1,970	157			Other Revenues
Total Revenues and Other Financing Sources		<u>78,364</u>	<u>--</u>	<u>78,364</u>	<u>87,075</u>	<u>8,711</u>			Total Revenues and Other Financing Sources
Expenditures/Encumbrances and Other Financing Uses									Expenditures/Encumbrances and Other Financing Uses
Public Protection:									Public Protection:
Flood Control District	\$ 20,162	72,303	--	92,465	53,525	38,940	\$ 20,805	\$ 18,135	Flood Control District
Santa Ana River Environmental Enhancement	--	244	(6)	238	3	235	--	235	Santa Ana River Environmental Enhancement
Flood Control District - Capital	3,127	62,230	--	65,357	5,193	60,164	3,891	56,273	Flood Control District - Capital
Total Expenditures/Encumbrances and Other Financing Uses	<u>23,289</u>	<u>134,777</u>	<u>(6)</u>	<u>158,060</u>	<u>58,721</u>	<u>99,339</u>	<u>\$ 24,696</u>	<u>\$ 74,643</u>	Total Expenditures/Encumbrances and Other Financing Uses
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(23,289)	(56,413)	6	(79,696)	28,354	\$ 108,050			Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses
Fund Balances - Beginning of Year	--	74,875	--	74,875	233,330				Fund Balances - Beginning of Year
Cancellation of Reserves/Designations	--	--	--	--	(178,705)				Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances	23,289	--	--	23,289	24,696				Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations	--	(18,462)	(6)	(18,468)	154,009				Provisions for Reserves and/or Designations
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 261,684</u>				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, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Budget Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2003	Unspent Appropriations
Revenues and Other Financing Sources								
Taxes		\$ 31,294	\$ --	\$ 31,294	32,843	\$ 1,549		
Licenses, Permits, and Franchises		216	--	216	301	85		
Fines, Forfeitures and Penalties		29	24	53	25	(28)		
Use of Money and Property		25,415	--	25,415	23,257	(2,158)		
Intergovernmental Revenues		2,483	16,277	18,760	3,066	(15,694)		
Charges for Services		7,221	75	7,296	7,923	627		
Other Revenues		5,089	250	5,339	5,773	434		
Transfers In		942	--	942	--	(942)		
Total Revenues and Other Financing Sources		<u>72,689</u>	<u>16,626</u>	<u>89,315</u>	<u>73,188</u>	<u>(16,127)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Recreation and Cultural Services:								
County Tidelands - Newport Bay	\$ 18	3,127	--	3,145	1,436	1,709	\$ 86	\$ 1,623
County Tidelands - Dana Point	1,190	20,869	(1,034)	21,025	16,935	4,090	2,352	1,738
Harbors, Beaches, and Parks	6,220	65,300	16,527	88,047	53,076	34,971	5,930	29,041
Total Expenditures/Encumbrances and Other Financing Uses	<u>7,428</u>	<u>89,296</u>	<u>15,493</u>	<u>112,217</u>	<u>71,447</u>	<u>40,770</u>	<u>\$ 8,368</u>	<u>\$ 32,402</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(7,428)	(16,607)	1,133	(22,902)	1,741	\$ 24,643		
Fund Balances - Beginning of Year	--	6,991	--	6,991	39,314			
Cancellation of Reserves/Designations	--	9,616	--	9,616	(25,174)			
Fund Balance Reserved for Encumbrances	7,428	--	--	7,428	8,368			
Provisions for Reserves and/or Designations	--	--	(1,133)	(1,133)	16,806			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 41,056</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, 2003
(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 3)	\$ 21,545	\$ 217,511	\$ 239,056	\$ 134,909
Cash Equivalents/Specific Investments (Notes 1 and 3)	13,794	--	13,794	--
Cash/Cash Equivalents (Notes 1 and 3)	1,474	--	1,474	--
Imprest Cash Funds (Note 3)	14	35	49	133
Restricted Cash and Investments with Trustee (Note 3)	14,374	--	14,374	--
Restricted Pooled Cash/Investments (Note 3)	1,391	20,173	21,564	--
Deposits In-Lieu of Cash			--	
Receivables				
Accounts	3,002	12,130	15,132	210
Interest/Dividends	70	1	71	--
Allowance for Uncollectible Receivables	(5)	(13)	(18)	(2)
Due from Other Funds (Note 6)	84	1,292	1,376	4,407
Due from Component Unit	--	--	--	4
Due from Other Governmental Agencies	873	682	1,555	93
Inventory of Materials and Supplies (Notes 1)	--	--	--	614
Prepaid Costs (Notes 1 and 12)	2,027	--	2,027	--
Total Current Assets	<u>58,643</u>	<u>251,811</u>	<u>310,454</u>	<u>140,368</u>
Noncurrent Assets				
Restricted Cash and Investments with Trustee (Note 3)	13,333	10,249	23,582	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 3, and 13)	--	141,528	141,528	--
Deposits In-Lieu of Cash	15,452	17,564	33,016	--
Investments (Notes 1 and 3)	24,830	--	24,830	--
Capital Assets: (Note 4)				
Land	15,677	18,431	34,108	--
Structures and Improvements	297,321	6,504	303,825	4,509
Accumulated Depreciation	(122,112)	(3,150)	(125,262)	(3,472)
Equipment	8,589	38,437	47,026	86,735
Accumulated Depreciation	(5,066)	(17,353)	(22,419)	(59,167)
Construction in Progress	39,595	22,439	62,034	602
Infrastructure	117,528	184,579	302,107	--
Accumulated Depreciation	(63,258)	(49,116)	(112,374)	--
Bond Issuance Costs	1,224	701	1,925	--
Total Noncurrent Assets	<u>343,113</u>	<u>370,813</u>	<u>713,926</u>	<u>29,207</u>
Total Assets	<u>401,756</u>	<u>622,624</u>	<u>1,024,380</u>	<u>169,575</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	8,002	6,499	14,501	1,947
Salaries and Employee Benefits Payable	391	667	1,058	417
Deferred Revenue	2,073	1	2,074	2
Due to Other Funds (Note 6)	1,285	3,621	4,906	698
Due to Other Governmental Agencies	--	2,079	2,079	5
Insurance Claims Payable (Notes 1 and 15)	--	--	--	50,883
Compensated Employee Absences Payable (Notes 1 and 9)	782	1,333	2,115	807
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	9,284	9,284	--
Bonds Payable (Notes 1 and 9)	6,785	3,717	10,502	--
Capital Lease Obligations Payable	--	--	--	1,142
Interest Payable	--	268	268	--
Deposits from Others	19,448	18,150	37,598	--
Total Current Liabilities	<u>38,766</u>	<u>45,619</u>	<u>84,385</u>	<u>55,901</u>
Noncurrent Liabilities				
Insurance Claims Payable (Notes 1 and 15)	--	--	--	61,258
Compensated Employee Absences Payable (Notes 1 and 9)	804	1,597	2,401	838
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	171,937	171,937	--
Bonds Payable (Notes 1 and 9)	133,344	53,166	186,510	--
Capital Lease Obligations Payable	--	--	--	6,431
Arbitrage Rebate Payable (Note 9)	--	31	31	--
Total Noncurrent Liabilities	<u>134,148</u>	<u>226,731</u>	<u>360,879</u>	<u>68,527</u>
Total Liabilities	<u>172,914</u>	<u>272,350</u>	<u>445,264</u>	<u>124,428</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	149,370	144,589	293,959	21,634
Restricted (Note 1)	27,707	163,515	191,222	--
Unrestricted (Note 1)	51,765	42,170	93,935	23,513
Total Net Assets	<u>\$ 228,842</u>	<u>\$ 350,274</u>	<u>579,116</u>	<u>\$ 45,147</u>
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			(1,156)	
Cumulative effect of prior year's internal service funds' allocation.			(4,372)	
Net assets of business-type activities			<u>\$ 573,588</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, 2003
(In Thousands)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Operating Revenues				
Use of Property	\$ 70,414	\$ 571	\$ 70,985	\$ 1,028
Licenses, Permits, and Franchises	--	22	22	--
Charges for Services	12,916	107,210	120,126	58,776
Insurance Premiums	--	--	--	120,833
Other Revenues	--	201	201	--
Total Operating Revenues	83,330	108,004	191,334	180,637
Operating Expenses				
Salaries and Employee Benefits	9,858	18,169	28,027	11,453
Services and Supplies	13,893	20,524	34,417	26,847
Professional Services	22,830	12,042	34,872	29,810
Operating Leases	128	916	1,044	4,248
Insurance Claims (Note 15)	--	--	--	93,719
Other Charges	--	--	--	13,290
Landfill Site Closure/Postclosure Costs (Note 13)	--	13,165	13,165	--
Depreciation (Note 4)	17,681	10,311	27,992	6,624
Total Operating Expenses	64,390	75,127	139,517	185,991
Operating Income (Loss)	18,940	32,877	51,817	(5,354)
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	18	18	--
Intergovernmental Revenues	633	376	1,009	34
Interest Revenue	2,117	7,368	9,485	2,336
Interest Expense	(10,173)	(3,674)	(13,847)	(597)
Loss on Disposition of Capital Assets	(31)	(180)	(211)	(215)
Other Revenue (Expense) - Net	224	(107)	117	1,784
Total Nonoperating Revenues (Expenses)	(7,230)	3,801	(3,429)	3,342
Income (Loss) Before Contributions and Transfers	11,710	36,678	48,388	(2,012)
Capital Contributions	15,009	1,499	16,508	722
Transfers In (Note 8)	1	--	1	1,163
Transfers Out (Note 8)	(118)	(13,436)	(13,554)	--
Increase (Decrease) in Net Assets	26,602	24,741	51,343	(127)
Net Assets - Beginning of Year	202,240	325,533		45,274
Net Assets - End of Year	\$ 228,842	\$ 350,274		\$ 45,147
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			(1,156)	
Increase in Net Assets of Business-type Activities			\$ 50,187	

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, 2003
(In Thousands)**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 83,852	\$ 106,325	\$ 190,177	\$ 59,874
Cash Received for Premiums Within the County's Enty	--	--	--	120,833
Payments to Suppliers for Goods and Services	(33,934)	(32,540)	(66,474)	(145,926)
Payments to Employees for Services	(9,220)	(16,959)	(26,179)	(12,768)
Payments to Other Funds for Interfund Services Provided	(431)	--	(431)	(21)
Cash Received from (Paid for) Interfund Charges	328	(1,251)	(923)	(2,210)
Other Operating Receipts (Payments)	224	(6,654)	(6,430)	(15,753)
Net Cash Provided by Operating Activities	<u>40,819</u>	<u>48,921</u>	<u>89,740</u>	<u>4,029</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	1	--	1	1,090
Transfers Out	(118)	(12,753)	(12,871)	--
Intergovernmental Revenues	633	376	1,009	34
Net Cash Provided (Used) by Noncapital Financing Activities	<u>516</u>	<u>(12,377)</u>	<u>(11,861)</u>	<u>1,124</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(28,873)	(19,727)	(48,600)	(4,838)
Principal Paid on Bonds	(10,360)	(3,905)	(14,265)	--
Payment to Escrow-Refunded Bonds	(12,695)	--	(12,695)	--
Interest Paid on Long-Term Debt	(8,885)	(2,946)	(11,831)	(387)
Capital Contributions	15,009	--	15,009	--
Transfers In	--	--	--	73
Principal Paid on Capital Lease Obligations	--	--	--	(1,310)
Proceeds from Sale of Capital Assets	--	132	132	205
Net Cash Used by Capital and Related Financing Activities	<u>(45,804)</u>	<u>(26,446)</u>	<u>(72,250)</u>	<u>(6,257)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	2,163	9,508	11,671	2,336
Purchases of Investments	(10,426)	--	(10,426)	--
Increase in Restricted Investments with Trustee	--	(262)	(262)	--
Net Cash Provided (Used) by Investing Activities	<u>(8,263)</u>	<u>9,246</u>	<u>983</u>	<u>2,336</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,732)	19,344	6,612	1,232
Cash Balances - Beginning of Year	65,324	359,903	425,227	133,810
Cash Balances - End of Year	<u>\$ 52,592</u>	<u>\$ 379,247</u>	<u>\$ 431,839</u>	<u>\$ 135,042</u>

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

	Airport	Waste Management	Total	Governmental Activities - Internal Service Funds
Operating Income (Loss)	\$ 18,940	\$ 32,877	\$ 51,817	\$ (5,354)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	17,681	10,311	27,992	6,624
Fines, Forfeitures and Penalties	--	18	18	--
Deposits Receivable	--	--	--	--
Notes Receivable	--	--	--	--
Advances Receivable	--	--	--	--
Due from Other Funds	328	(1,251)	(923)	(2,206)
Due from Component Unit	--	--	--	(4)
Due from Other Governmental Agencies	1,438	(231)	1,207	83
Prepaid Costs	(90)	--	(90)	--
Inventory of Materials and Supplies	--	--	--	(314)
Increases (Decreases) In:				
Accounts Payable	3,007	(193)	2,814	(4,296)
Salaries and Employee Benefits Payable	82	117	199	61
Deposits from Others	532	(100)	432	(108)
Due to Other Funds	(431)	--	(431)	(20)
Due to Other Governmental Agencies	--	220	220	(3)
Insurance Claims Payable	--	--	--	7,402
Deferred Revenue	(877)	1	(876)	2
Compensated Employee Absences Payable	556	1,093	1,649	393
Arbitrage Rebate Payable	--	(214)	(214)	--
Total Adjustments	<u>21,879</u>	<u>16,044</u>	<u>37,923</u>	<u>9,383</u>
Net Cash Provided by Operating Activities	<u>\$ 40,819</u>	<u>\$ 48,921</u>	<u>\$ 89,740</u>	<u>\$ 4,029</u>

Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts

	Airport	Waste Management	Total	Governmental Activities - Internal Service Funds
Pooled Cash/Investments	\$ 21,545	\$ 217,511	\$ 239,056	\$ 134,909
Cash Equivalents/Specific Investments	13,794	--	13,794	--
Cash/Cash Equivalents	1,474	--	1,474	--
Imprest Cash Funds	14	35	49	133
Restricted Pooled Cash/Investments	1,391	20,173	21,564	--
Restricted Cash and Investments with Trustee	14,374 (1)	-- (2)	14,374	--
Restricted Pooled Cash/Investments - Closure & Postclosure Care Costs	--	141,528	141,528	--
Total Cash and Cash Equivalents	<u>\$ 52,592</u>	<u>\$ 379,247</u>	<u>\$ 431,839</u>	<u>\$ 135,042</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

- During the year, the Internal Service Funds of Transportation and Information and Technology received \$566 and \$156 of capital contributions from the General Fund.
- The Waste Management Enterprise Fund received \$1,499 of capital contributions of which \$1,360 pertains to the donation of the Santiago Canyon landfill to the County.
- Proceeds of refunding bond of \$51,376 were paid to the bond refunding escrow.

- (1) Does not include \$13,333 from Airport's nonliquid Restricted Cash and Investments with Trustee
- (2) Does not include \$10,249 from Waste Management's nonliquid Restricted Cash and Investments with Trustee

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



COUNTY OF ORANGE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003
(In Thousands)

	Private- Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits	Agency Funds
<u>ASSETS</u>				
Pooled Cash/Investments (Notes 1 and 3)	\$ 47,100	\$ 2,221,173	\$ 4,660	\$ 152,989
Imprest Cash Funds (Notes 1 and 3)	100	--	--	10
Restricted Cash and Investments with Trustees (Notes 1 and 3)	2,856	--	623	13,389
Investments (Notes 1 and 3)	--	--	--	1,322
Deposits In-Lieu of Cash Receivables	--	--	--	15,583
Accounts	6	--	--	8,801
Taxes (Note 1)	--	--	--	155,596
Interest/Dividends	--	4,694	--	7,654
Allowance for Uncollectible Receivables	(3)	--	--	--
Due from Other Funds (Note 6)	135	399	11	272
Due from Other Governmental Agencies	--	--	441	726
Notes Receivable	--	--	--	6,397
Total Assets	<u>50,194</u>	<u>2,226,266</u>	<u>5,735</u>	<u>\$ 362,739</u>
<u>LIABILITIES</u>				
Deposits from Others	--	--	--	\$ 350
Monies Held for Others	--	--	--	86,322
Due to Other Funds (Note 6)	112	1,892	--	6,648
Due to Component Unit (Note 6)	--	--	--	339
Due to Other Governmental Agencies	--	--	--	27,472
Unapportioned Taxes	--	--	--	241,608
Total Liabilities	<u>112</u>	<u>1,892</u>	<u>--</u>	<u>\$ 362,739</u>
<u>NET ASSETS</u>				
Held in trust (Note 12)	<u>50,082</u>	<u>2,224,374</u>	<u>5,735</u>	
Total Net Assets	<u>\$ 50,082</u>	<u>\$ 2,224,374</u>	<u>\$ 5,735</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, 2003
(In Thousands)

	<u>Private- Purpose Trust</u>	<u>Investment Trust Funds</u>	<u>Pension Trust and Other Employee Benefits</u>
Additions:			
Contributions to Pension Trust	\$ --	\$ --	\$ 1,990
Contributions to Pooled Investments	--	9,860,564	--
Contributions to Private-Purpose Trust	278,346	--	--
Interest and Investment Income	846	29,438	95
Less: Investment Expense	(59)	(2,140)	(6)
Total Additions	<u>279,133</u>	<u>9,887,862</u>	<u>2,079</u>
Deductions:			
Benefits Paid to Participants	--	--	22
Refunds of Prior Contributions	--	--	474
Distributions from Pooled Investments	--	9,612,007	--
Distributions from Private-Purpose Trust	287,254	--	--
Total Deductions	<u>287,254</u>	<u>9,612,007</u>	<u>496</u>
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	(8,121)	--	--
External Investment Pool	--	275,855	--
Employees' Retirement	--	--	1,583
Net Assets Held in Trust, Beginning of Year	<u>58,203</u>	<u>1,948,519</u>	<u>4,152</u>
Net Assets Held in Trust, End of Year	<u>\$ 50,082</u>	<u>\$ 2,224,374</u>	<u>\$ 5,735</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, 2003
(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*," and Statement No. 39, "*Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*", 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 (OCDA) 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 Services Accounting Department.

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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

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's governing body. Among its duties, it approves the special districts' budgets, and approves parcel fees, special assessments and special taxes. The special districts are reported in governmental fund types.

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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

Government-Wide Financial Statements

GASB Statement No. 34 mandates the presentation of two basic government-wide financial statements:

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

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

Governmental activities, which are normally supported by taxes, intergovernmental revenues, 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 amount is derived by subtracting the outstanding debts incurred by the County to buy or construct capital assets from the net amount for capital assets shown in the Statement of Net Assets. Capital assets cannot readily be sold and converted to cash.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

- 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 for governmental activities payments. At June 30, 2003, the County reported restricted net assets of \$982,861 restricted for the following purposes:

Restricted for:	Amount
Capital projects	\$ 209,994
Debt service	61,066
Legally segregated special revenue funds restricted for grants and other purposes	711,714
Regional park endowment	87
	\$ 982,861

Restricted Net Assets for business-type activities amounted to \$279,629 and are restricted for the use of Airport and Waste Management activities, including debt service.

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

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. The financial information of each major fund is shown in a separate column in the fund financial statements, with the data for all nonmajor governmental funds aggregated into a single column and all nonmajor proprietary funds aggregated into a single column. GASB Statement No. 34 set 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 federal funds and charges for engineering services provided.

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; licenses, permits, 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Flood Control District – This fund accounts for the planning, construction, operation, and maintenance of regional flood protection and water conservation works, such as dams, control channels, retarding basins and other flood control infrastructure.

Harbors, Beaches, and Parks – This fund accounts for the development and maintenance of County harbors, tidelands and related aquatic recreational facilities, as well as 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 – The County of Orange reports eight Internal Service Funds. These proprietary funds are used to account for the financing of services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis. The services provided by these funds are Insurance, Transportation, Publishing and Information and Technology. Internal service funds are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level.

Fiduciary Fund Types – The County of Orange has a total of 255 trust and agency funds. These trust and agency funds are used to account for assets held on behalf of outside parties or employees, including other governments. When these assets are held under the terms of a formal trust agreement, a private-purpose trust, pension trust, investment trust or educational investment trust fund is used. Agency funds are 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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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 (e.g. interfund transfers and interfund reimbursements) have been eliminated from the government-wide Statement of Activities. Exceptions to the general rule are interfund services provided and used between functions, such as charges for auditing and accounting fees between the general government function and various other functions of the primary government. Elimination of these interfund activities would distort the direct costs and program revenues reported for the various functions concerned.

Additionally, only the interfund transfers between governmental and business-type activities are reported in the 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 government-wide and enterprise 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds (Continued)

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.

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, 2003, the County reported deferred revenue of \$217,240 in the governmental funds' Balance Sheet, of which \$86,774 represents the amount of intergovernmental revenues unavailable for revenue recognition.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds (Continued)

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.

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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

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" in the supplemental information section.

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, 2003, there is no material difference between pool participants' shares valued on an amortized cost basis compared to fair value.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003, the County has prepaid costs of \$169,096 in the Statement of Net Assets, which primarily consist of the County's Investment Account with the Orange County Employees Retirement System (OCERS) for future pension costs of \$162,632. See Note 18 for additional information regarding this pension investment asset for the County's Retirement Plans.

H. Land and Improvements Held for Resale

These assets, held by the OCDA, 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

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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

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 case reserves, development of known and incurred but not reported claims, including allocated loss adjustment expenses. (See Note 15).

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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

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

Property tax collections are apportioned 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, 2003, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.97 percent of the combined beginning secured and unsecured property tax roll charge.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

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, performance incentive plan time off, annual leave and sick leave) are accrued as an expense and liability in the proprietary funds when incurred. In the governmental funds, only those amounts that are due and payable at year-end are accrued. Compensated employee absences that exceed this amount represent a reconciling item between the fund and government-wide presentations.

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 2002-03 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 2002-03 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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Effects of New Pronouncements

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

In June 2003, GASB issued Technical Bulletin (TB) No. 2003-1 "*Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*". This TB supersedes TB 94-1 and clarifies guidance on derivative disclosures, pending the results of the GASB's project on reporting and measurement of derivatives and hedging activities. This TB applies to derivatives that are not reported at fair value on the Statement of Net Assets. It provides an updated definition of derivatives; and it also provides disclosure requirements for the government's objective for entering into the derivative, as well as the derivative's terms, fair value and risk exposures. These disclosure requirements are intended to provide information to financial statement users that will enhance their understanding of the significance of derivatives to a government's net assets and will assist them in assessing the amounts, timing, and uncertainty of future cash flows. The County has analyzed its investments and financings and has confirmed that the County is not involved in any derivative activities; therefore, there are no additional disclosures required as a result of TB 2003-01.

In March 2003, GASB issued Statement No. 40, "*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*". This statement addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also should be disclosed. This statement is effective for financial periods beginning after June 15, 2004. The County Treasurer is planning to implement the new reporting requirements for the fiscal year 2003-04 financial statements.

In May 2003, GASB issued Statement No. 41, "*Budgetary Comparison Schedules – Perspective Differences – an amendment of GASB Statement No. 34*". This statement is effective for fiscal periods beginning after June 15, 2002, and clarifies the budgetary presentation requirements for governments with significant budgetary perspective differences that result in their not being able to present budgetary comparison information for their general fund and major special revenue funds. Orange County does not have these types of significant budgetary perspective differences and is therefore unaffected by GASB Statement No. 41.

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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Assets 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.

<i>Statement of Net Assets Line Item</i>	<i>Corresponding Governmental and Proprietary Funds' Balance Sheet or Statement of Net Assets Line Item</i>
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash/Investments – Closure and Postclosure Costs
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

2. DEFICIT EQUITY BALANCES OF INDIVIDUAL FUNDS

The following fund has deficit net assets:

<u>Internal Service Fund</u>	Deficit
Workers' Compensation	<u>\$ 56,837</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, the impact of legislative and regulatory changes, and a trend in rising medical costs. The County anticipates increasing charges to departments over the next five years in order to achieve a higher funding level.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$5,119,855 as of June 30, 2003. Each fund's portion of this total is reflected in the balance sheet accounts entitled "Pooled Cash/Investments, Cash Equivalents/Specific Investments, Restricted Pooled Cash/Investments – Closure & Postclosure Care Costs, Restricted Pooled Cash/Investments, Cash/Cash Equivalents, 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 and Educational Pools. 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.

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 \$1.00 net asset value for the County Money Market Fund and the Educational Money Market Fund. 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, 2003, the carrying amount of overdraft of the County's demand deposits was \$82,668 and the related bank balance was \$23,784, of which \$200 was insured by FDIC insurance with the remainder collateralized as described above. The County had \$298,817 in maturing securities the following business day to cover outstanding checks. In addition, the County had imprest cash funds in the amount of \$1,640, of which \$1,252 was insured by FDIC insurance, with the remainder collateralized as described above.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
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3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

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 \$13,185, 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, the respective bond documents, trust agreements, and other contractual agreements govern the County's investment policies.

External Investment Pools

The County Treasurer sponsors two external investment pools; the County Pool and the Educational Pool. Both pools consist of a Money Market Fund and an Extended Fund.

The County Treasurer has a written 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 or U.S. Dollar denominated Euro CD's (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%). The IPS authorizes the County Treasurer to enter into securities lending agreements (as defined by section 53601 and 53601.7(f)(4) of the California Government Code) where the final maturity does not exceed 92 days. 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. 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.

Repurchase agreements are limited to a three-month maturity and can only be entered into with entities prescribed in California Government Code Section 53601. 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
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3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

External Investment Pools (Continued)

The IPS expressly prohibits leverage, reverse repurchase agreements, and volatile structured notes or derivatives. Investments are marked to market on a daily basis. 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.

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. On November 7, 2002, 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 County and Educational Investment Pools. The 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 districts and therefore includes 100 percent involuntary participants. At June 30, 2003, the County Pool includes approximately 4.26 percent external involuntary participant deposits for certain assessment districts and certain bond related funds for public school districts.

As of June 30, 2003, floating rate notes comprised 7.50% and 3.11% 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
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3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2003:

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<u>Statement of Net Assets</u>			
Net assets held for pool participants	\$ 3,112,298	\$ 2,013,487	\$ 5,125,785
Equity of internal pool participants	\$ 2,901,411	\$ --	\$ 2,901,411
Equity of external pool participants	210,887	2,013,487	2,224,374
Total Net Assets	<u>\$ 3,112,298</u>	<u>\$ 2,013,487</u>	<u>\$ 5,125,785</u>
<u>Statement of Changes in Net Assets</u>			
Net assets at July 1, 2002	\$ 2,349,894	\$ 1,758,582	\$ 4,108,476
Net change in investments by pool participants	762,404	254,905	1,017,309
Net Assets at June 30, 2003	<u>\$ 3,112,298</u>	<u>\$ 2,013,487</u>	<u>\$ 5,125,785</u>

Summary External Pool Financial Disclosures

Selected summary disclosures for each external pool as of June 30, 2003, are presented below:

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Days to Maturity
<u>County Pool</u>					
U.S. Government Agencies	\$ 864,189	\$ 862,839	Discount, 1.3-6.25%	07/03/03-06/12/06	344
Bankers' Acceptances	22,908	23,000	Discount	07/18/03-12/17/03	51
Commercial Paper	796,151	798,067	Discount	07/01/03-11/21/03	36
Negotiable Certificates of Deposit	456,002	456,000	0.93-2.00%	07/08/03-05/17/04	93
Medium-Term Notes	287,100	284,592	1.13-7.25%	08/01/03-02/03/06	74
Repurchase Agreements	100,000	100,000	1.38%	07/01/03	1
Money Market Mutual Funds	25,365	25,365	Variable	07/01/03	1
	<u>\$ 2,551,715</u>	<u>\$ 2,549,863</u>			<u>153</u>
<u>Educational Pool</u>					
U.S. Government Agencies	\$ 879,138	\$ 881,206	Discount, 1.3-6.25%	07/03/03-06/12/06	160
Bankers' Acceptances	34,058	34,243	Discount	08/25/03-09/22/03	71
Commercial Paper	659,069	661,055	Discount	07/01/03-12/15/03	47
Negotiable Certificates of Deposit	250,264	250,000	0.93-1.37%	07/03/03-09/25/03	39
Medium-Term Notes	138,833	137,608	1.13-7.25%	08/01/03-02/03/06	56
Repurchase Agreements	70,000	70,000	1.38%	07/01/03	1
Money Market Mutual Funds	17,146	17,146	Variable	07/01/03	1
	<u>\$ 2,048,508</u>	<u>\$ 2,051,258</u>			<u>93</u>

At June 30, 2003, the weighted average maturity of the County Pool was 153 days and the Educational Pool was 93 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 \$2.54 billion and \$1.82 billion, with an average effective yield of 1.78% and 1.54%, respectively, for the year ended June 30, 2003.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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 June 30, 2003. 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.

LEVEL OF CUSTODIAL CREDIT RISK					
	Category			Not Subject to Categorization	Fair Value
	1	2	3		
County Pool:					
U.S. Government Agencies	\$ 864,189	\$ --	\$ --	\$ --	\$ 864,189
Bankers' Acceptances	22,908	--	--	--	22,908
Commercial Paper	796,151	--	--	--	796,151
Negotiable Certificates of Deposit	456,002	--	--	--	456,002
Medium-Term Notes	287,100	--	--	--	287,100
Repurchase Agreements	100,000	--	--	--	100,000
Money Market Mutual Funds	--	--	--	25,365	25,365
Total Investments in County Pool	2,526,350	--	--	25,365	2,551,715
Educational Pool:					
U.S. Government Agencies	879,138	--	--	--	879,138
Bankers' Acceptances	34,058	--	--	--	34,058
Commercial Paper	659,069	--	--	--	659,069
Negotiable Certificates of Deposit	250,264	--	--	--	250,264
Medium-Term Notes	138,833	--	--	--	138,833
Repurchase Agreements	70,000	--	--	--	70,000
Money Market Mutual Funds	--	--	--	17,146	17,146
Total Investments in Educational Pool	2,031,362	--	--	17,146	2,048,508
Specific Investments:					
U.S. Government Agencies	20,852	--	--	--	20,852
Commercial Paper	11,972	--	--	--	11,972
Negotiable Certificates of Deposit	1,500	--	--	--	1,500
Repurchase Agreements	1,082	--	--	--	1,082
Total Specific Investments	35,406	--	--	32,151	67,557
Investments with Trustees:					
U.S. Government Agencies	--	27,040	--	--	27,040
Guaranteed Investment Contracts	--	--	--	215,760	215,760
Medium-Term Notes	182,146	--	--	--	182,146
Repurchase Agreements	--	14,444	--	--	14,444
Money Market Mutual Funds	--	--	--	80,528	80,528
Total Investments with Trustees	182,146	41,484	--	296,288	519,918
Total Investments	\$ 4,775,264	\$ 41,484	\$ --	\$ 370,950	\$ 5,187,698

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

RECONCILIATION OF DEPOSITS AND INVESTMENTS

<u>Total Deposits and Investments – Note 3:</u>	<u>Total</u>
Total Investments	\$ 5,187,698
Total Deposits - Carrying Amount Overdraft	(82,668)
Bank Investment Contracts	13,185
Imprest Cash Funds	<u>1,640</u>
Total Deposits and Investments – Note 3	<u>\$ 5,119,855</u>

<u>Total Deposits 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	\$ 1,427,697	\$ 373,965	\$ 2,425,922	\$ 141,305	\$ 4,368,889
Cash Equivalents/Specific Investments	--	13,794	--	--	13,794
Restricted Pooled Cash/Investments – Closure and Post Closure Care Costs	--	141,528	--	--	141,528
Restricted Pooled Cash/Investments	--	21,564	--	--	21,564
Cash/Cash Equivalents	--	1,474	--	--	1,474
Imprest Cash Funds	1,333	182	110	15	1,640
Restricted Cash and Investments with Trustee	483,181	37,956	16,868	--	538,005
Investments	6,809	24,830	1,322	--	32,961
Total Deposits and Investments	<u>\$ 1,919,020</u>	<u>\$ 615,293</u>	<u>\$ 2,444,222</u>	<u>\$ 141,320</u>	<u>\$ 5,119,855</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

4. CHANGES IN CAPITAL ASSETS

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

	Primary Government				Balance June 30, 2003
	Balance July 1, 2002	Increases	Decreases	Adjustment	
Governmental activities :					
Capital assets not depreciated:					
Land	\$ 474,191	\$ 5,776	\$ (4,272)	\$ --	\$ 475,695
Construction in progress	366,604	91,111	(67,969)	--	389,746
Total capital assets not being depreciated	<u>840,795</u>	<u>96,887</u>	<u>(72,241)</u>	<u>--</u>	<u>865,441</u>
Capital assets, depreciable					
Structures and Improvements	756,294	41,166	(45,057)	--	752,403
Equipment	294,662	34,764	(26,833)	(9)	302,584
Infrastructure:					
Flood Channels	439,227	438,213	--	--	877,440
Roads	86,702	611	--	--	87,313
Bridges	61,100	1,364	--	--	62,464
Trails	32,365	--	--	63	32,428
Traffic signals	9,933	--	--	--	9,933
Harbors and Beaches	28,089	--	--	6,431	34,520
Capital assets, depreciable	<u>1,708,372</u>	<u>516,118</u>	<u>(71,890)</u>	<u>6,485</u>	<u>2,159,085</u>
Less accumulated depreciation for:					
Structures and Improvements	(288,919)	(22,652)	26,547	(3,822)	(288,846)
Equipment	(200,291)	(26,093)	33,539	(1,049)	(193,894)
Infrastructure:					
Flood Channels	(157,054)	(7,512)	--	--	(164,566)
Roads	(46,473)	(2,171)	--	341	(48,303)
Bridges	(14,275)	(1,248)	--	--	(15,523)
Trails	(17,331)	(1,077)	--	--	(18,408)
Traffic signals	(5,046)	(612)	--	--	(5,658)
Harbors and Beaches	(17,389)	(789)	--	--	(18,178)
Total accumulated depreciation	<u>(746,778)</u>	<u>(62,154)</u>	<u>60,086</u>	<u>(4,530)</u>	<u>(753,376)</u>
Capital assets, depreciable (net)	<u>961,594</u>	<u>453,964</u>	<u>(11,804)</u>	<u>1,955</u>	<u>1,405,709</u>
Governmental activities total capital assets, net	<u>\$ 1,802,389</u>	<u>\$ 550,851</u>	<u>\$ (84,045)</u>	<u>\$ 1,955</u>	<u>\$ 2,271,150</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2003
	Balance July 1, 2002	Increases	Decreases	Adjustments	
Business-type activities:					
Capital assets not depreciated:					
Land	\$ 32,748	\$ 1,360	\$ --	\$ --	\$ 34,108
Construction in progress	31,311	49,005	(1,797)	(16,485)	62,034
Total capital assets not being depreciated	<u>64,059</u>	<u>50,365</u>	<u>(1,797)</u>	<u>(16,485)</u>	<u>96,142</u>
Capital assets, depreciable					
Structures and Improvements	301,930	1,895	--	--	303,825
Equipment	46,159	4,598	(3,737)	6	47,026
Infrastructure	285,893	16,214	--	--	302,107
Capital assets, depreciable	<u>633,982</u>	<u>22,707</u>	<u>(3,737)</u>	<u>6</u>	<u>652,958</u>
Less accumulated depreciation for:					
Structures and Improvements	(113,363)	(11,746)	--	(153)	(125,262)
Equipment	(22,021)	(3,721)	3,325	(2)	(22,419)
Infrastructure	(99,405)	(12,525)	--	(444)	(112,374)
Total accumulated depreciation	<u>(234,789)</u>	<u>(27,992)</u>	<u>3,325</u>	<u>(599)</u>	<u>(260,055)</u>
Capital assets, depreciable (net)	<u>399,193</u>	<u>(5,285)</u>	<u>(412)</u>	<u>(593)</u>	<u>392,903</u>
Business-type activities total capital assets, net	<u>\$ 463,252</u>	<u>\$ 45,080</u>	<u>\$ (2,209)</u>	<u>\$ (17,078)</u>	<u>\$ 489,045</u>

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

Governmental activities:	
General Government	\$ 10,754
Public Protection	25,014
Public Ways and Facilities	5,942
Health and Sanitation	1,817
Public Assistance	3,876
Education	967
Recreation and Cultural Services	7,160
Internal Service Funds' depreciation expense allocated to various functions	<u>6,624</u>
Total governmental activities depreciation expense	<u>62,154</u>
Business-type activities:	
Airport	17,681
Waste Management	<u>10,311</u>
Total business-type activities depreciation expense	<u>27,992</u>
Total depreciation expense	<u>\$ 90,146</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

5. RECEIVABLES

The different components of receivables reported in the Statement of Net Assets for governmental and business-type activities as of June 30, 2003 are as follows:

Receivables	Accounts	Taxes	Interest ^(b)	Deposits	Notes	Loans and Leases	Due From Other Governmental Agencies	Less: Allowance for Doubtful Accounts	Total Receivables Net
Governmental Activities ^(a)									
General Fund	\$ 22,321	\$ 4,590	\$ 1,506	\$ 2,205	\$ --	\$ 119	\$ 212,556	\$ (541)	\$ 242,756
Roads	165	--	335	349	--	--	4,205	(33)	5,021
Public Library	1,005	641	21	--	--	--	128	--	1,795
Tobacco Settlement	839	--	4	--	--	--	--	--	843
Refunding & Recovery COPs & Debt Repayment	--	--	210	--	--	--	--	--	210
Flood Control District	795	1,229	570	12,952	--	20	1,815	(10)	17,371
Harbors, Beaches, and Parks	1,847	910	110	--	--	843	676	(8)	4,378
Other Governmental Funds	872	21,391	777	2,711	16,861	--	4,055	(4)	46,663
Total	27,844	28,761	3,533	18,217	16,861	982	223,435	(596)	319,037
Less: amount not to be paid within the next fiscal year	(739)	--	--	(17,370)	(16,460)	(863)	(53,917)	--	(89,349)
Total receivables due within the next fiscal year	\$ 27,105	\$28,761	\$ 3,533	\$ 847	\$ 401	\$ 119	\$ 169,518	\$ (596)	\$ 229,688

(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	\$ 3,002	\$ --	\$ 125	\$ --	\$ --	\$ --	\$ 873	\$ (5)	\$ 3,995
Waste Management	12,130	--	914	--	--	--	682	(13)	13,713
Total	15,132	--	1,039	--	--	--	1,555	(18)	17,708
Less: amount not to be paid within the next fiscal year	(10)	--	--	--	--	--	(20)	--	(30)
Total receivables due within the next fiscal year	\$ 15,122	\$ --	\$ 1,039	\$ --	\$ --	\$ --	\$ 1,535	\$ (18)	\$ 17,678

(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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

5. RECEIVABLES (Continued)

The \$739 of accounts receivable for governmental activities that are not expected to be received within the next fiscal year consist primarily of \$95 from the City of Yorba Linda due to ongoing legal issues. Another \$195 is due from MCI (currently going through bankruptcy) and the other \$449 is for various invoices and non-sufficient funds checks that remain on the books due to statute of limitation constraints.

The \$17,370 of deposits receivable for governmental activities that are not expected to be received within the next fiscal year consist primarily of money given to the U.S. Army Corps of Engineers for the Santa Ana River Project for \$11,885 and money given to John Wayne Airport for the Santa Ana Heights Acoustical Insulation Program for \$2,606. In addition, there is a \$919 deposit due from the State of California for the Carbon Creek Channel and \$1,463 represents various cash advances and service contracts. The other \$497 is comprised of miscellaneous deposits.

The \$16,460 of notes receivable for governmental activities that are not expected to be received within the next fiscal year consist primarily of \$12,167 for loans to build affordable, low-income housing. Another \$1,882 is for construction of senior citizen housing, and the other \$2,411 is for other various sales and loans.

The \$863 of loans receivable for governmental activities that are not expected to be received within the next fiscal year are for advances to the Dana Point Harbor operators.

The \$10 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.

The \$53,917 of due from other governmental agencies for governmental activities that are not expected to be received within the next fiscal year consist primarily of \$45,809 that the State of California owes to the County for various Senate Bill (SB) 90 mandated costs reimbursements for programs and services the State requires the County to provide. The State deferred reimbursement to future fiscal years. The State Constitution requires reimbursement for these programs and interest accrues until they are paid. Another \$6,848 is for amounts owed for pass through agreements due to ongoing legal issues with the City of Yorba Linda. The other \$1,260 is comprised of various invoices made to the State of California for a variety of County-related activities.

The \$20 of due from other governmental agencies for business-type activities that are not expected to be received within the next fiscal year consist of money that the State of California, due to SB 90, owes to the County.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2003 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$ 991	
	Public Library	55	
	Tobacco Settlement	8,142	
	Refunding & Recovery COPs and Debt Prepayment	1,115	
	Flood Control District	5,944	
	Harbors, Beaches, and Parks	2,646	
	Other Governmental Funds	11,129	
	Internal Service Funds	467	
	Fiduciary Funds	3,759	
	Airport	1,196	
	Waste Management	<u>3,588</u>	\$ 39,032
Roads	General Fund	152	
	Flood Control District	413	
	Harbors, Beaches, and Parks	133	
	Other Governmental Funds	1,743	
	Fiduciary Funds	334	
	Airport	<u>20</u>	2,795
Public Library	Internal Service Funds	57	
	Fiduciary Funds	<u>872</u>	929
Tobacco Settlement	Fiduciary Funds		4
Refunding and Recovery COPs and Debt Prepayment	Fiduciary Funds		210
Flood Control District	General Fund	208	
	Roads	277	
	Harbors, Beaches, and Parks	187	
	Other Governmental Funds	467	
	Fiduciary Funds	<u>570</u>	1,709
Harbors, Beaches, and Parks	General Fund	146	
	Roads	53	
	Flood Control District	105	
	Other Governmental Funds	71	
	Fiduciary Funds	110	
	Airport	<u>7</u>	492

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Other Governmental Funds	General Fund	\$ 36,766	
	Roads	85	
	Flood Control District	31	
	Other Governmental Funds	3,449	
	Internal Service Funds	4	
	Fiduciary Funds	812	
	Airport	14	
	Waste Management	2	\$ 41,163
Airport	General Fund	29	
	Fiduciary Funds	55	84
Waste Management	General Fund	2	
	Roads	341	
	Flood Control District	34	
	Harbors, Beaches, and Parks	2	
	Fiduciary Funds	913	1,292
Internal Service Funds	General Fund	3,603	
	Roads	8	
	Public Library	35	
	Flood Control District	4	
	Harbors, Beaches, and Parks	46	
	Other Governmental Funds	57	
	Internal Service Funds	170	
	Fiduciary Funds	405	
	Airport	48	
	Waste Management	31	4,407
Fiduciary Funds	General Fund	209	
	Fiduciary Funds		
	Unapportioned Tax and Interest Funds	605	
	Departmental Funds	3	817
	Total		<u>\$ 92,934</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	\$	339
Primary Government – General Fund	Component Unit – Orange County Children and Families Commission	\$	436
Primary Government – Internal Service Funds	Component Unit – Orange County Children and Families Commission	\$	4

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

The receivable balance from the Fiduciary Funds of \$8,652 payable to the various Governmental Funds, Proprietary Funds, Fiduciary Funds and Component Unit primarily consists of \$5,094 in accrued interest recorded in the Unapportioned Interest Agency Fund at year-end. The majority of the remaining interfund balances resulted from the time lag between the time that (1) goods and services provided to fiduciary funds, (2) the recording of those transactions in the accounting system, and (3) payments between the funds are made.

7. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from noncancelable operating leases with synthetic fuels corporations. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2003, approximates \$65,717.

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, 2003 are as follows:

Fiscal Years	General Fund	Flood Control District	Harbors, Beaches, and Parks	Airport	Waste Management
FY 2003-2004	\$ 127	\$ 274	\$ 7,811	\$ 28,617	\$ 560
FY 2004-2005	117	185	7,843	25,571	368
FY 2005-2006	63	129	6,833	12,592	175
FY 2006-2007	60	127	6,648	959	175
FY 2007-2008	38	127	6,304	867	175
	<u>405</u>	<u>842</u>	<u>35,439</u>	<u>68,606</u>	<u>1,453</u>
FY 2008-2013	81	560	29,728	4,312	875
FY 2013-2018	--	223	23,550	1,421	875
FY 2018-2023	--	--	22,765	--	525
FY 2023-2028	--	--	21,124	--	--
FY 2028-2033	--	--	20,605	--	--
FY 2033-2038	--	--	18,925	--	--
FY 2038-2043	--	--	3,580	--	--
FY 2043-2048	--	--	--	--	--
	<u>81</u>	<u>783</u>	<u>140,277</u>	<u>5,733</u>	<u>2,275</u>
Total future minimum rentals	<u>\$ 486</u>	<u>\$ 1,625</u>	<u>\$ 175,716</u>	<u>\$ 74,339</u>	<u>\$ 3,728</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$5 (General Fund), \$51 (Flood Control District), \$173 (Harbors, Beaches, and Parks) \$20,493 (Airport) and \$28 (Waste Management) for the year ended June 30, 2003.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>		
<u>Governmental Funds</u>			
General Fund	Tobacco Settlement	\$ 24	
	Refunding and Recovery COPs and Debt Prepayment	98,017	
	Other Governmental Funds	61,144	
	Internal Service Funds	<u>1,163</u>	\$ 160,348
Tobacco Settlement	General Fund		35,519
Refunding and Recovery COPs and Debt Prepayment	General Fund	1,106	
	Other Governmental Funds	<u>7,311</u>	8,417
Flood Control District	General Fund		2,729
Other Governmental Funds	Airport	1	
	General Fund	42,881	
	Other Governmental Funds	<u>19,642</u>	<u>62,524</u>
Total Governmental Funds			<u>\$ 269,537</u>
<u>Proprietary Funds</u>			
Airport	Other Governmental Funds	\$ 118	
Waste Management	General Fund	<u>13,436</u>	
Total Proprietary Funds			<u>\$ 13,554</u>

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 \$135,898 was transferred out from the General Fund (\$114,700), the Refunding and Recovery COPs and Debt Prepayment Fund (\$7,311), and Other Governmental Funds (\$13,887) to the debt service funds in connection with debt service payments for the various County debt covenants.
- Of the \$35,519 transferred from the Tobacco Settlement Fund to the General Fund, \$35,088 was to finance various health care programs and \$100 was transferred to the Sheriff-Coroner for public protection programs. The remaining \$331 transferred to the General Fund was associated with interest.
- \$2,729 was transferred to the Watershed Management program from the Flood Control District.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

8. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- \$13,436 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.
- As part of the Bankruptcy Recovery Plan, \$5,679 was transferred from the General Fund to the Plan of Adjustment Available Cash Fund in order to make the annual payments to the Option B Pool participants and to distribute available cash.
- \$24,045 was transferred from Other Governmental Funds to the General Fund for the reimbursement of various County programs as follows:
 - \$7,292 for capital projects and maintenance
 - \$1,017 to the District Attorney for Assembly Bill (AB) 3229 prosecution services during FY 2002-03. AB3229 created the Citizens Option for Public Safety (COPS) program that provides statewide funding to be used exclusively for front line law enforcement services.
 - \$15,736 for Sheriff Department programs
- \$33,681 was transferred from the General Fund to the Other Public Protection group of funds. Of that amount, \$31,681 represented the annual transfer for Public Safety Sales Tax Excess Revenue, and the remaining \$2,000 was to fund the County's annual contribution to the 800 MHz County-wide Coordinated Communications System for the acquisition of additional sites and backbone expenses.

Nonrecurring Transfers

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

- \$2,011 was transferred from the General Fund to the Sheriff Construction & Facility Development Fund.
- \$1,000 was transferred from the Other Public Protection group of funds to reimburse the General Fund for 800 MHz related expenditures.

9. LONG-TERM OBLIGATIONS

General Obligation Bonds Payable

The amount of general obligation 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, 2003, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$3,371,061.

Bankruptcy Recovery

On December 6, 1994, the County filed for protection under Chapter 9 of the United States Bankruptcy Code as a result of approximately \$1,600,000 in losses to the County investment pool ("Pool"), which was recorded on the County's books and records for FY 1994-95 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Bankruptcy Recovery (Continued)

In response to the bankruptcy, the County prepared a comprehensive recovery plan, which incorporated budget cuts, administrative reorganization, a settlement agreement with Pool participants, various methods to raise funds, and State legislation ("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.

These monies, together with certain other County revenues will be used to satisfy the principal and interest payments on the Recovery Certificates of Participation ("Recovery COPs"). The Recovery COPs and Refunding Recovery Bonds ("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 part of the County's motor vehicle license fees (VLF) 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. Beginning in 1998, State legislation reduced the amount of VLF paid by owners of automobiles in the State. The State has previously made up the difference in VLF collected under reduced rates and the fees that would have been collected under the old fee formula with monies from the State general fund. However, beginning in July 2003, the State acted to triple the motor vehicle license fee. Legal action opposing the rate increase has been threatened. For more information on VLF refer to Note 20, Subsequent Events.

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 \$3,200; 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 \$2,400.

Bankruptcy Obligations

Refunding Recovery Bonds, Series 1995A

In June 1995, the County issued \$278,790 of 1995 Refunding Recovery Bonds ("1995 Recovery Bonds"). The 1995 Recovery Bonds are a General Fund obligation of the County and are being paid from VLF intercepted from the State Controller, to the extent there are sufficient fees available for debt service. These VLF, if not used to pay debt service, would otherwise be received by the County General Fund. The 1995 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 1995 Recovery Bonds. As of June 30, 2003, the entire \$31,335 balance had been paid. The outstanding principal balance of these bonds as of June 30, 2003 was \$240,110.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Bankruptcy Obligations (Continued)

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 ("1996 Recovery COPs"). Proceeds of the 1996 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 1996 Recovery COPs and two months of capitalized interest, and (4) pay costs associated with the delivery of the 1996 Recovery COPs. The 1996 Recovery COPs are general obligations of the County, secured by certain statutory liens and payable from an intercept of VLF and certain sales taxes, to the extent there are sufficient license fees and sales tax funds available for debt service. These VLF and sales tax revenues from unincorporated areas of the County, if not used to pay debt service, would otherwise be received by the County General Fund. As of June 30, 2003, the outstanding principal balance of the 1996 Recovery COPs was \$633,450.

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

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, 2003, the outstanding principal amount of the Refunding COPs was \$13,959.

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.

In July 2001, OCDA issued its \$26,160 Tax Allocation Refunding Bonds (Neighborhood Development and Preservation Project) Series 2001 ("NDAPP Refunding Bonds"), 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 NDAPP Bonds; 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 NDAPP Area and from amounts on deposit in certain funds and accounts established under the Indenture.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements (Continued)

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

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. As of June 30, 2003, the outstanding principal amount of the current interest NDAPP Bonds was \$932, the accreted interest on the capital appreciation NDAPP bonds was \$118 for the year then ended, and the outstanding principal amount of the NDAPP Refunding Bonds was \$25,712.

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

In May 2002, the Orange County Public Financing Authority (OCPFA) 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 the 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 OCPFA payable solely from base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2002, between the OCPFA and the County, and other amounts held by the Trustee in the funds and accounts established under the Indenture (other than the rebate fund), except as otherwise provided in the Indenture. As of June 30, 2003, the outstanding principal amount of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 was \$80,173.

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

In February 1993, the County issued a Master Lease Equipment Obligation in the principal amount of \$24,780. This obligation is secured by base rental payments on the acquired equipment. As of June 30, 2003, the outstanding equipment obligation was \$1,605.

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, 2003, the outstanding principal amount of SAHP Bonds was \$49,560. A refunding is in process.

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, 2003, the outstanding principal amount of the Series 1994A, 1994B, 1996A and 1997A Pension Bonds were \$9,000, \$0, \$64,652 and \$47,120, respectively.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements (Continued)

Taxable Pension Obligation Bonds, Series 1994A, 1996A, and 1997A (Continued)

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 ("the 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, 2003 was \$123,725.

Lease Revenue Bonds, Series 2001 (Telecommunications Equipment Project)

In April 2001, the OCPFA issued \$10,330 Lease Revenue Bonds, Series 2001 (Telecommunications Equipment Project), to (1) finance the acquisition and installation of certain telecommunications equipment for general governmental 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 OCPFA 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, 2003, the outstanding principal amount of the Lease Revenue Bonds was \$9,020.

Airport Revenue Refunding Bonds, Series 1993, 1997 and 2003

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. On May 29, 2003 the County issued \$48,680 of revenue bonds ("2003 Bonds"), the proceeds of which, together with certain monies deposited with the Trustee, refunded and defeased the 1993 Bonds. The unamortized deferred loss of \$7,046 on Series 1993 Bonds was with the Series 2003 Bonds. The outstanding principal amount of Airport Revenue Bonds as of June 30, 2003 was \$153,604. All Airport Bonds are secured on a parity basis by a pledge of net revenues of the Airport Enterprise Fund.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements (Continued)

Waste Management System Refunding Revenue Bonds, Series 1997

In November 1997, the OCPFA 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, 2003 was \$60,663.

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, 2003, \$29,250 of legally defeased debt remains outstanding.

Fiscal Year 2002-03 Debt Obligation Activity

During FY 2002-03, the following events concerning County debt obligations took place:

Teeter Plan Revenue Bond Remarketing

\$700 of the Series A Bonds were retired in October 2002, reducing the outstanding 1995 Series Bonds from \$124,425 to \$123,725.

Series A through E have all been converted from fixed rate to variable rate. The interest rates, determined on a weekly basis, have ranged from 0.85% to 1.95% payable monthly; and currently, \$123,725 is being remarketed weekly.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2002-03 Debt Obligation Activity (Continued)

Airport Revenue Refunding Bonds, Series 2003

On May 29, 2003, the County issued \$48,680 of Airport Revenue Refunding Bonds, Series 2003 at a premium of \$4,206. The proceeds of the bonds, together with certain monies on deposit with the trustee, were used to refund the outstanding Airport Revenue Refunding Bonds Series 1993, and to pay the costs of issuing the bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,827. This difference is reported as a deferred amount on refunding of 2003 Revenue Bonds. The Airport completed the refunding to reduce its debt service payments over the next 15 years by \$24,000 and obtain an economic gain of \$6,187. The Series 2003 Bonds constitute limited obligations of the County, payable solely from net revenues of the Airport (as defined). The Series 2003 bonds are issued on a parity with the County's Airport Revenue Refunding Bonds Series 1997, and the scheduled payment of principal and interest on the Series 2003 Bonds is insured by Financial Security Assurance Inc. As of June 30, 2003, the outstanding principal amount, including unamortized premium of the Series 2003 Bonds, was \$52,886.

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2003 were as follows:

Description	Balance July 1, 2002	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2003	Amounts Due within One Year
-------------	-------------------------	--	-------------	--------------------------	-----------------------------------

Governmental Funds:

County of Orange Refunding

Recovery Bonds - Series 1995 A:

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 \$ -- \$ (7,345) \$ 240,110 \$ 14,240

Orange County Public Facilities

Corporation, 1996 Recovery

Certificates of Participation Series 1996A

Date Issued: June 12, 1996

Interest Rate: 4.20% to 6.00%

Original Amount: \$760,800

Maturing in installments through July 1, 2026. 657,770 -- (24,320) 633,450 25,660

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Description	Balance July 1, 2002	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2003	Amounts Due within One Year
<u>Orange County Public Facilities Corporation, Refunding Certificates of Participation: (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.					
	16,164	--	(2,205)	13,959	2,355
<u>Orange County Financing Authority Tax Allocation Revenue Bonds - Series 1992 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%					
Interest Rate: CAB - 6.50% to 6.55%					
Original Amount: CIB - \$27,150					
Original Amount: CAB - \$932					
Maturing in installments through September 1, 2022.					
	932	--	--	932	--
<u>Orange County Development Agency 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	(10)	(765)	25,712	985
Deferred Amount on Refunding	(1,152)	55	--	(1,097)	(55)

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Description	Balance July 1, 2002	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2003	Amounts Due within One Year
<u>Orange County Public Financing Authority</u>					
<u>Juvenile Justice Center Facility Lease</u>					
<u>Revenue Refunding Bonds, Series 2002:</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	(36)	(3,240)	80,173	3,690
Deferred Amount on Refunding	(3,682)	182	--	(3,500)	(219)
<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.	3,885	--	(2,280)	1,605	1,605
<u>Orange County Development Agency Santa Ana Heights Project Area 1993 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.	50,730	--	(1,170)	49,560	1,235
<u>County of Orange 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	4,000
<u>County of Orange</u>					
<u>Taxable Refunding Pension</u>					
<u>Obligation Bonds - Series 1996 A:</u>					
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CIB)					
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)					
To refund 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).	64,652 ₁₁₀	--	--	64,652	--

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Description	Balance July 1, 2002	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2003	Amounts Due within One Year
County of Orange					
<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%					
Interest Rate: CAB - 7.33% to 7.96%					
Original Amount: CIB - \$71,605					
Original Amount: CAB - \$65,318					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB).					
	60,960	--	(13,840)	47,120	--
<u>Orange County Special Financing Authority</u>					
<u>Teeter Plan Revenue Bonds Series A through E:</u>					
Date Issued: June 1, 1995					
Interest Rate: variable (Series A, B, C, D and E)					
Original Amount: \$155,000					
Maturing in installments through November 1, 2014.					
	124,425	--	(700)	123,725	--
<u>Orange County Public Financing Authority,</u>					
<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 Dec 15, 2008.					
	10,330	--	(1,310)	9,020	1,360
Subtotal - Governmental Funds	1,351,405	191	(57,175)	1,294,421	54,856
<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.					
	66,023	1,822	(67,845)	--	--
Deferred Amount on Refunding (1993 Airport Revenue Bonds)					
	(7,546)	7,546	--	--	--

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Description	Balance July 1, 2002	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2003	Amounts Due within One Year
<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.	108,726	(243)	(7,765)	100,718	8,319
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(3,538)	890	--	(2,648)	(768)
<u>Airport Revenue Refunding Bonds - Series 2003:</u>					
Date Issued: May 29, 2003 to refund 1993 Airport Revenue bond issue					
Interest Rate: 2.50% to 5.00%					
Original Amount: \$48,680					
Maturing in installments through July 1, 2018	--	52,886	--	52,886	483
Deferred Amount on Refunding (2003 Airport Revenue Bonds)	--	(10,827)	--	(10,827)	(1,249)
<u>Orange County Public Financing Authority Waste Management System Refunding 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.	64,737	(169)	(3,905)	60,663	4,080
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(4,342)	562	--	(3,780)	(363)
Subtotal - Enterprise Funds	<u>224,060</u>	<u>52,467</u>	<u>(79,515)</u>	<u>197,012</u>	<u>10,502</u>
Total	<u>\$ 1,575,465</u>	<u>\$ 52,658</u>	<u>\$ (136,690)</u>	<u>\$ 1,491,433</u>	<u>\$ 65,358</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

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

Fiscal Year(s) Ending June 30	Enterprise Funds		Governmental Funds		Total
	Principal	Interest	Principal	Interest	
2004	\$ 12,190	\$ 9,855	\$ 55,070	\$ 77,064	\$ 154,179
2005	15,060	10,085	56,737	74,334	156,216
2006	16,015	9,282	64,898	75,287	165,482
2007	16,880	8,403	65,241	72,336	162,860
2008	17,795	7,456	75,836	68,167	169,254
2009-2013	99,845	21,332	336,032	324,097	781,306
2014-2018	26,265	3,763	316,888	255,062	601,978
2019-2023	4,440	111	178,221	112,234	295,006
2024-2028	--	--	146,650	17,863	164,513
Total	208,490	70,287	1,295,573	1,076,444	2,650,794
Add: Premium	5,777	--	3,445	--	9,222
Less: Deferred amount on refunding	(17,255)	--	(4,597)	--	(21,852)
Principal Payable, Net	\$ 197,012	\$ 70,287	\$ 1,294,421	\$ 1,076,444	\$ 2,638,164

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2003 were as follows:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Governmental Activities:					
Bonds and COPs Payable:					
Revenue bonds	\$ 296,747	\$ --	\$ (9,465)	\$ 287,282	\$ 8,815
Certificates of participation	673,934	--	(26,525)	647,409	28,015
Pension obligation bonds	134,612	--	(13,840)	120,772	4,000
Recovery bonds	247,455	--	(7,345)	240,110	14,240
Add: Premium on bonds payable	3,491	--	(46)	3,445	60
Less: Deferred amount on refunding	(4,834)	--	237	(4,597)	(274)
Total Bonds & COPs Payable, Net	1,351,405	--	(56,984)	1,294,421	54,856
Interest on Capital Appreciation Bonds	51,505	10,603	--	62,108	--

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Other long-term liabilities:					
Compensated employee absences payable	\$ 115,393	\$ 139,779	\$ (107,003)	\$ 148,169	\$ 81,517
Arbitrage rebate payable	48	23	(48)	23	--
Pool participant claims	3,200	--	(800)	2,400	800
Capital lease obligations payable	59,398	2,527	(3,692)	58,233	9,192
Insurance claims payable	104,739	93,719	(86,317)	112,141	50,883
Total other long term liabilities	<u>282,778</u>	<u>236,048</u>	<u>(197,860)</u>	<u>320,966</u>	<u>142,392</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,685,688</u>	<u>\$ 246,651</u>	<u>\$ (254,844)</u>	<u>\$ 1,677,495</u>	<u>\$ 197,248</u>
Business-type Activities:					
Bonds Payable:					
Revenue bonds	\$ 239,325	\$ 48,680	\$ (79,515)	\$ 208,490	\$ 12,190
Add: Premium on bonds payable	1,983	4,206	(412)	5,777	692
Less: Discount on bonds payable	(1,822)	--	1,822	--	--
Less: Deferred amount on refunding	(15,426)	(10,827)	8,998	(17,255)	(2,380)
Total Revenue Bonds Payable, Net	<u>224,060</u>	<u>42,059</u>	<u>(69,107)</u>	<u>197,012</u>	<u>10,502</u>
Other long-term liabilities:					
Compensated employee absences payable	2,867	4,944	(3,295)	4,516	2,115
Arbitrage rebate payable	245	31	(245)	31	--
Landfill site closure/postclosure liabilities	173,491	13,165	(5,435)	181,221	9,284
Total other long-term liabilities	<u>176,603</u>	<u>18,140</u>	<u>(8,975)</u>	<u>185,768</u>	<u>11,399</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 400,663</u>	<u>\$ 60,199</u>	<u>\$ (78,082)</u>	<u>\$ 382,780</u>	<u>\$ 21,901</u>

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2003 is \$148,169 compared with \$115,393 at June 30, 2002. The increased balance is primarily due to additional employee bargaining units negotiating annual leave plans, which pooled vacation and sick leave time together to create one annual leave balance, which does not require the employee to be sick in order to use the time. The plans also provide for more of the employees leave balances to be eligible for a cash payout upon termination, depending on years of service. Now that most of the county's work force participates in an annual leave plan, it has caused changes to the methodology used to calculate the compensated absences liability. The methodology takes into consideration the actual cash payout value and also applies a factor for increased leave usage, based on annual leave usage trends. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

9. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds

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

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular county tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property 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, 2003, amounted to \$755,057.

10. CONDUIT DEBT OBLIGATIONS

From 1980 through 2003 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, 2003 there were 90 series of bonds outstanding, with an aggregate principal amount payable of \$1,027,928.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

11. 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>
2004	\$ 18,996	\$ 28,670	\$ 47,666
2005	18,192	23,779	41,971
2006	17,876	23,253	41,129
2007	12,158	20,653	32,811
2008	6,451	19,914	26,365
2009-2013	--	52,708	52,708
2014-2018	--	9,494	9,494
Total	\$ 73,673	\$ 178,471	\$ 252,144

Total rent expenditures for operating leases incurred for FY 2002-03 was \$49,689.

Capital Leases

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

Land	\$ 12,170
Equipment	4,295
Less: Accumulated Depreciation	(611)
Structures and Improvements	61,932
Less: Accumulated Depreciation	(9,533)
Total	\$ 68,253

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, 2003:

<u>Fiscal Year Ending June 30</u>	
2004	\$ 9,192
2005	8,986
2006	9,101
2007	8,480
2008	8,551
2009-2013	26,763
2014-2018	16,407
2019-2023	10,216
Total minimum lease payments	97,696
Less: amount representing interest	(39,463)
Present value of net minimum lease payments	\$ 58,233

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

12. RESERVED FUND BALANCES/NET ASSETS

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, 2003 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
Assets Not Available for Appropriations:								
Encumbrances	\$ 55,186	\$ 25,211	\$ 1,482	\$ --	\$ 24,696	\$ 8,368	\$ 33,276	\$ --
Long-term Receivables	--	--	--	--	--	--	17,943	--
Imprest Cash Funds	1,267	--	53	--	--	--	13	--
Employee's Retirement	--	--	--	--	--	--	--	5,735
Inventory of Materials and Supplies	364	93	--	--	218	104	480	--
Prepaid Costs	2	--	--	--	--	--	1,151	--
Land and Improvements Held for Resale	--	--	--	--	--	--	2,141	--
Debt Service	--	--	--	145,412	--	--	345,586	--
Private Purpose Trust	--	--	--	--	--	--	--	50,082
External Investment Pools	--	--	--	--	--	--	--	2,224,374
Children's Programs	--	--	--	--	--	--	--	--
Fund Balances Reserved by Board of Supervisors for a Future Purpose:								
Equipment Replacement	--	10,144	--	--	484	1,757	--	--
Equipment Purchase (New)	--	--	--	--	--	--	1,130	--
Administration Fees	--	--	--	--	--	--	6,000	--
Loans	100	--	--	--	--	1,195	17,293	--
Land Purchase	--	--	--	--	17,946	70	--	--
Operations	--	--	--	--	--	--	50	--
Future Road Projects	--	52,316	--	--	--	--	--	--
Library Contingencies	--	--	2,017	--	--	--	--	--
Capital Projects	--	--	--	--	112,986	6,323	932	--
General Reserves	--	--	--	--	22,375	7,353	15,572	--
Cash Difference Funds	10	--	--	--	--	--	--	--
Contingencies	18,000	--	--	--	--	--	25	--
Revitalization Projects	--	--	--	--	--	3	--	--
Operations - Strategic Priorities	86,016	--	--	--	--	--	--	--
Reserved Fund Balances/Net Assets	\$ 160,945	\$ 87,764	\$ 3,552	\$ 145,412	\$ 178,705	\$ 25,173	\$ 441,592	\$ 2,280,191

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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
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13. 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 – Closed 2002)
- Coyote Canyon (Newport Beach – Closed in 1995)

All active waste disposal sites, (FRB, Olinda Alpha and Prima Deshecha), are owned by IWMD. Santiago Canyon's lease with the Irvine Company was terminated in November 2002 and in return the Irvine Company donated the landfill valued at \$1,360 to the County of Orange. Coyote Canyon is owned by the Irvine Company and is under lease. The total landfill closure and postclosure care liability at June 30, 2003 was \$181,221, of which \$9,923 is for remediation. The total liability represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date (39.23%), less actual costs disbursed related to both closure and postclosure of Santiago Canyon and Coyote Canyon landfills. IWMD will recognize the remaining estimated cost of closure and postclosure care of \$164,067 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 2003 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, 2003, \$141,528 has been set aside for these costs and is included in the accompanying Proprietary Funds' Statement of Net Assets as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs. The State mandated formula under which these contributions are computed would 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
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
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13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

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.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2003, 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	\$ 1,726
	Juvenile Hall (60 bed expansion construction costs)	10,374
	Rancho Potrero (90 bed juvenile facility construction costs)	1,353
	Sheriff/Corner - Computer System for Patrol Cars	1,898
	Subtotal	<u>15,351</u>
Roads		
	Foothill Circulation Phasing Plan	
	-Alton-Irvine Blvd. to Foothill Transportation Corridor	1,768
	Laguna Canyon Road	
	-SR73 to I-405	15,554
	Subtotal	<u>17,322</u>
Flood Control District		
	Carbon Creek Channel/Coyote Creek Channel	1,045
	Fullerton Creek Channel – Knott to Beach	2,309
	Segunda Deschecha Channel	4,633
	Huntington Beach Channel	
	Magnolia to Upstream Inland	4,888
	Huntington Beach Channel	
	Atlanta to Indianapolis	2,770
	Subtotal	<u>15,645</u>
Other Governmental Funds		
	Rancho Potrero Leadership Academy	1,093
	Juvenile Hall – 60 bed expansion	1,364
	Theo Lacy Jail Construction	14,112
	Sewer Improvements	2,811
	Subtotal	<u>19,380</u>

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

<u>Business-type Activities:</u>	<u>Project Title</u>	<u>Remaining Commitments</u>
Airport – Operating		
	Fire Station #33 Remodel	\$ 3,373
	Terminal Improvements	1,073
	Airport Rescue & Fire Fighting Vehicle	1,025
	Subtotal	5,471
Integrated Waste Management – Operating		
	Frank R. Bowerman – Equipment Maintenance Facility	1,179
	Zone 1 Phase B Mass Excavation	5,919
	Subtotal	7,098
	Total	\$ 80,267

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 Project 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 the project's costs exceeds current available funds. However, the project has been authorized by the State Legislature, making it eligible for State Flood Control Subventions (reimbursement of 70% of OCFCD eligible expenditures). An estimated \$10,000 is expected to be reimbursed to the OCFCD when funds are available, 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, 2003, the OCFCD has spent an estimated \$217,100 on the Project, with resulting claims for estimated reimbursement of \$150,000, which has already been submitted or will be submitted. To date, the OCFCD has submitted \$134,000 in claims for reimbursement of eligible expenditures and received \$120,000 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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

15. SELF-INSURANCE

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

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

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-funded, up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Additional excess liability insurance provides up to an additional \$50,000 in liability coverage. There have been no claims or settlements that exceeded the self-insurance threshold. 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 case reserves, development of known claims, incurred but not reported claims, and allocated loss adjustment expenses. Unpaid 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. Unpaid claims liabilities have been discounted at a rate of 1.25% 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 (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

15. SELF-INSURANCE (Continued)

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 2001-02	\$ 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	<u>71,705</u>	<u>21,453</u>	<u>11,581</u>	<u>104,739</u>
Claims and Changes in Estimates	36,917	3,348	53,454	93,719
Claim Payments	(25,382)	(8,045)	(52,890)	(86,317)
Unpaid Claims, End of FY 2002-03	<u>\$ 83,240</u>	<u>\$ 16,756</u>	<u>\$ 12,145</u>	<u>\$ 112,141</u>

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

The overall exposure of unpaid property and casualty risk 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.

16. 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.

Refuse Disposal Stations. The County has operated various refuse disposal stations which it owned or leased, and at some of these stations methane gas has been detected on the property. The Local Enforcement Agency (LEA), the entity that regulates landfills has directed the property owners to develop corrective action plans and propose long-term landfill gas remediation plans at the sites. Many of these sites are currently owned by different cities within the County and these cities are in the process of implementing the landfill gas mitigations required by the LEA. The County cannot estimate the cost to control the landfill gas. The costs, however, could be substantial. At this time no amount has been accrued. The cities which currently own the sites have notified the County that it is their position that the County is responsible for control of the landfill gas on the sites. It is possible that the County could incur significant costs if the matter results in litigation. Listed below are those refuse disposal stations with potential claims or regulatory actions against the County.

- Sparkes Pit/Rains Disposal Station #18 – Regulatory Action, Private Owner
- Cannery Street Refuse Disposal Station #16, City of Huntington Beach
- La Habra Refuse Disposal Station #11, City of La Habra
- San Joaquin Refuse Disposal Station #13, University of California, Irvine
- Forster Refuse Disposal Station #17, Private Owner

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

16. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS (Continued)

Lane Road Refuse Disposal Station #21. This site, located in the City of Irvine and owned by NGP Reality Sub, L.P. and others, was leased and operated by the County of Orange as a refuse disposal facility from 1961 until its closure in 1964. The Santa Ana Regional Water Quality Control Board and the LEA, entities that regulate landfill gas and its impact on groundwater. That investigation has indicated that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order in January 2003 directing the property owner to develop a corrective action work plan and proposed a long-term landfill gas remediation plan. Counsel for the property owners has indicated that it is their position that the County is responsible for all costs associated with the control of landfill gas at the site. The County disputes this assertion. In February 2003, the property owners submitted a Claim for Money or Damages to the County for \$70 and anticipate future damages in excess of \$1,000. IWMD and its counsel are currently in discussions with the property owners to negotiate a settlement agreement. It is possible the County could incur significant costs if the matter results in litigation.

Barratt American Incorporated, et al., v. County of Orange. Plaintiff alleges the County over-charged for building permit and inspection fees from 1999 through 2001 (and continuing) and impermissibly accumulated a surplus in Fund 113, the Building and Safety special revenue fund, which is used to account for building and safety permit fees, much of which plaintiff alleges was subsequently spent on impermissible items. Plaintiff seeks a variety of forms of relief, including injunctive, declaratory and money damages.

On March 26, 2001, Plaintiff 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.

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. On December 12, 2002, the Superior Court certified the case as a class action.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

16. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS (Continued)

County of Orange v. Assessment Appeals Board No. 3. (Continued) The County, County Assessor and County Tax Collector have appealed the trial court decision. The Court of Appeal has scheduled a hearing on January 7, 2004. In 2002, two other local courts (Los Angeles and San Diego) ruled differently on the same issue and both affirmed the current statewide practice of property assessment restoration. Property tax laws are applied on a statewide basis, and the contradicting ruling with two other local courts on the same legal issue requires a uniformity review at the appellate level.

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 and the Orange County Library District to exceed \$26,446, with a future reduction in tax base exceeding \$10,510 annually. Other County or County-related entities affected include: Orange County Flood Control District, \$6,640 refunds, \$2,639 reduced tax base; Orange County Harbors, Beaches, and Parks, \$4,921 refunds, \$1,956 reduced tax base; and the Orange County Development Agency, \$1,302 refunds, \$533 reduced tax base. At this time no amount has been accrued, do to the uncertainty of the outcome of appeal.

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 2007 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.

17. 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.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

17. OTHER CONTINGENCIES (Continued)

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.

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.

18. 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 16% 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. Terminated employees 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 2002-03, employer's contributions, as a percentage of covered payrolls, were 5.66% for General members, 25.02% for Safety-Law Enforcement members and 5.66% for Safety-Probation members.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

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 2002 contribution represented 84% 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 the amortization of the 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 1996 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, adjusted for previous years' OCERS portfolio gains and losses. Of the \$97,605 contribution for fiscal year 2002-03, 39% was paid from the Investment Account. In August 2002, the Board of Supervisors approved a new agreement that gives the County complete discretion, subject to a notice requirement, over how much of the annual retirement contribution will be paid from the Investment Account. The balance of the Investment Account on June 30, 2003 was \$162,632.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Because the amortized gains of the retirement system have been higher than anticipated, the required annual percentage of employer contributions has remained low until the current year. Because of a large increase in the Unfunded Actuarial Accrued Liability, the County's cash contribution was \$59,801, approximately 61% of the total required. 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
06/30/01	\$ --	\$ 45,932	\$ 45,932	100%
06/30/02	--	38,322	38,322	100%
06/30/03	59,801	37,804	97,605	100%

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 a 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, 2003, the plan consists of 1,751 active plan participants, 791 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, as required by statutory or contractual agreements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan. The employee contributions are recognized when due, pursuant to the plan documentation. 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 3. The plan has not issued separate stand-alone financial statements.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Extra Help Employees (Continued)

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-year amortization of the unfunded actuarial accrued liability

The County charges a benefits administration fee to County agencies, which fund the cost of administering all of the County benefit programs, including the Extra Help Defined Benefit Retirement Plan. The County Treasurer charges its normal investment management fee related to the Pension Trust Fund's participation in the County Pool.

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. For this June 30, 2003 disclosure, the plan's annual pension cost was calculated using a roll-forward of the July 1, 2002 valuation report using standard methodologies for the roll-forward.

Defined Benefit Retirement Plan

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.

For the fiscal year ended June 30, 2003, the County's annual required contribution was \$275. The required contribution was determined using a roll-forward of the July 1, 2002 valuation report, which used 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, which increased the 2002-03 annual pension cost.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Extra Help Employees (Continued)

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)
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%
06/30/03*	\$ 4,655	\$ 8,137	\$ 3,482	57.2%	\$ 25,160	13.8%

* 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
2003	\$ 275	0%	\$ 441

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

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, 2003 there were 774 participants in the plan.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

18. RETIREMENT PLANS (Continued)

Extra Help Employees (Continued)

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.

19. POST EMPLOYMENT HEALTH CARE BENEFITS

The County of Orange Board of Supervisors approved the establishment of a Retiree Medical Insurance Plan ("Plan") on August 1, 1993 for employees who retire and/or separate from County service and who meet the eligibility requirements of the Plan. The Plan provisions are defined within the Retiree Medical Plan Document.

The Plan is currently funded by a 1% salary contribution from current employees and contributions from the OCERS' Retired Members Benefit Reserve Account (RMBR), which came from surplus retirement system earnings. There are no direct County contributions toward this Plan.

To be eligible for a monthly Retiree Medical Grant, retirees must be eligible to retire and in most cases 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. Employees who separate from County service prior to meeting the eligibility requirements for the grant receive a lump sum cash benefit based on salary and years of qualifying service in accordance with provisions of the Retiree Medical Plan Document.

Currently, there are approximately 4,800 retired employees and/or survivors receiving a monthly Retiree Medical Grant. The grant is used to offset the cost of the retiree's monthly health plan premiums. The monthly retiree medical grant amount for calendar year 2003 is set at \$14.21 per year of County service to a maximum of 25 years. For FY 2002-03, the Plan contributed \$12,493 in Retiree Medical Grants towards retiree health premium costs.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2003:

A. State of California and County of Orange Fiscal Outlook

The former Governor signed the FY 2003-04 State Budget on August 2, 2003. This budget balances the general fund deficit with a combination of bond financing for the \$10,700,000 deficit from FY 2002-03, recognition of new Federal funds, tripling the VLF, recognizing other new revenues and making program spending changes. The FY 2002-03 debt will be paid for beginning in FY 2004-05 by a sales tax/property tax swap known as the "triple flip." The state sales tax will be raised by one-half cent dedicated to paying off the debt. This increase will be offset by repealing the one-half cent sales tax dedicated to local government. The lost sales tax dedicated to local government will be replaced with property tax currently going to education. Other state program spending cuts are made to continue the same funding level to education. There are currently legal challenges regarding the ability of the State to issue this debt.

In June, the State acted to triple the VLF paid by vehicle owners. However, the VLF increase was not effective until October 1, 2003. During this period (the "gap period"), counties and cities were to receive the reduced amount of VLF previously paid by vehicle owners without the State backfill, which has been paid to local government in prior years to keep them whole. The State's plan is to reimburse counties for the backfill gap period in August 2006. However, the State Controller continued making the full VLF payments to Orange County for the months of July and August. The State has informally requested repayment of the backfill portion of these payments to the County in the amount of \$13,500.

On November 17, 2003, Governor Schwarzenegger, through Executive Order S-1-03, 1) rescinded the Director of Finance's letter of June 20, 2003 reinstating the full VLF, 2) directed the Department of Motor Vehicles (DMV) to reinstate the General Fund offset of the VLF provided in Revenue and Taxation Code section 10754(a)(3)(A) as soon as administratively feasible, and 3) directed the DMV to refund all overpayments of VLF made by taxpayers since June 30, 2003. To date, no appropriation or other action has been taken by the State to reinstate the State General Fund backfill of VLF to the County, although a bill seeking to make such appropriation is pending in the Legislature. If the State does not provide the VLF backfill, the estimated monthly loss of General Fund revenue is estimated to be approximately \$10,800.

In addition, Assembly Bill 1752 (Chapter 225, Statutes of 2003) increases the percentage of VLF payable on account of health care realignment from 24.33% to 28.07% for FY 2003-04. The increase in realignment VLF results in a decrease in VLF payable to the County General Fund as general purpose revenues and the annual loss is estimated to be approximately \$6,360.

With regard to other revenue and program spending impacts, the County adopted the impacts of the State's final adopted FY 2003-04 budget.

B. Barratt American Incorporated, et al., v. The County of Orange

On July 1, 2003, Barratt American Incorporated 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 complaints reported in Note 16, Estimated Liability for Other Litigation and Claims, except that the new complaint challenges the enactment of a fee ordinance enacted by the County in 2003. The County denies the allegations and intends to defend itself against the complaint in court. At this time, it is not possible to reasonably estimate the likely outcome of the matter. The Court has not yet set a trial date. For more information, refer to Note 16.

COUNTY OF ORANGE
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2003
(Dollar Amounts in Thousands)

20. SUBSEQUENT EVENTS (Continued)

C. California Governor Recall Election

On October 7, 2003, the County's Registrar of Voter's office was required to hold the first recall election of the governor in California's history. The County provided approximately \$2,100 from the General Fund to cover the cost of this special election. The County plans to use part of the higher than anticipated FY 2002-03 Fund Balance Available (FBA) to cover this additional cost.

The recall election was successful, and the new Governor took office in November 2003. Aside from the repeal of the increased VLF in-lieu tax, and the governor's pledge to continue backfilling local governments for lost VLF revenues, it is uncertain at the publication date of this report what impact the change of the State's governorship will have on the County.

D. Teeter Plan Revenue Bonds

During July 2003, the Orange County Special Financing Authority (OCSFA) purchased \$31,456 in delinquent property tax receivables. On November 3, 2003, the OCSFA had surplus cash of \$8,159. In accordance with section 5.2 (f) of the Amended and Restated Indenture of Trust, this amount was made available to the County and was transferred to the County's General Fund on November 14, 2003.

E. Orange County Development Agency Tax Allocation Refunding Bonds, Series 2003

On November 13, 2003, the Orange County Development Agency issued \$38,465 Tax Allocation Refunding Bonds (Santa Ana Heights Project Area). Proceeds from the bonds are being used to refund and defease the 1993 Tax Allocation Revenue Bonds and to fund a reserve for the new bonds. The new bonds are secured by a pledge of tax revenues allocated and paid to the agency with respect to the project area. Redemption of the 1993 bonds, \$48,325, will take place on December 23, 2003, at a redemption price equal to 102% of the aggregate principal amount to be redeemed.



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

This fund is used to account for revenue and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

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 Area, 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, Health and Welfare Services

This group of funds is used to account for the Orange County Workforce Investment Act, Welfare-to-Work, Shelter Care Facilities, In Home Supportive Services, and Other Community, Health and Welfare 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 a Group Fixed Fund Retirement Contract relating to the County's Deferred Compensation Program.

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.

Pension Obligation Bonds

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

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.

OTHER GOVERNMENTAL FUNDS (Cont'd)

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.

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.

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, 2003
(In Thousands)**

	Total Nonmajor Governmental Funds	Special Revenue					Special Revenue			Schedule I County - Administered Accounts	
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management	Other Public Protection	Community, Health & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation		
ASSETS											ASSETS
Pooled Cash/Investments	\$ 432,142	\$ 1,411	\$ 13,053	\$ 1,702	\$ 526	\$ 91,523	\$ 24,173	\$ 45,879	\$ 3,085	\$ 4,663	Pooled Cash/Investments
Imprest Cash Funds	13	--	--	--	--	5	8	--	--	--	Imprest Cash Funds
Restricted Cash and Investments with Trustee	337,839	--	--	--	--	1,112	197	--	--	--	Restricted Cash and Investments with Trustee
Investments	6,809	--	--	--	--	--	--	--	--	--	Investments
Receivables											Receivables
Accounts	831	20	--	--	1	767	--	--	--	--	Accounts
Taxes	21,391	--	--	21	--	--	--	--	--	--	Taxes
Interest/Dividends	8	--	--	--	--	--	--	--	--	--	Interest/Dividends
Deposits	2,711	--	--	--	--	5	--	--	--	--	Deposits
Allowance for Uncollectible Receivables	(4)	(2)	--	--	--	(1)	--	--	--	--	Allowance for Uncollectible Receivables
Due from Other Funds	41,163	128	1,445	4	5	32,304	173	601	7	11	Due from Other Funds
Due from Other Governmental Agencies	4,055	140	--	--	27	975	2,361	--	--	--	Due from Other Governmental Agencies
Inventory of Materials and Supplies	480	--	--	--	--	480	--	--	--	--	Inventory of Materials and Supplies
Prepaid Costs	1,151	--	--	--	--	--	--	--	--	--	Prepaid Costs
Land and Improvements Held for Resale	2,141	--	--	--	--	--	145	--	--	--	Land and Improvements Held for Resale
Notes Receivable	16,861	--	3,077	--	206	--	1,199	1,864	--	--	Notes Receivable
Total Assets	<u>\$ 867,591</u>	<u>\$ 1,697</u>	<u>\$ 17,575</u>	<u>\$ 1,727</u>	<u>\$ 765</u>	<u>\$ 127,170</u>	<u>\$ 28,256</u>	<u>\$ 48,344</u>	<u>\$ 3,092</u>	<u>\$ 4,674</u>	Total Assets
LIABILITIES AND FUND BALANCES											LIABILITIES AND FUND BALANCES
Liabilities											Liabilities
Accounts Payable	\$ 8,956	\$ 435	\$ 7	\$ 21	\$ --	\$ 482	\$ 1,193	\$ --	\$ --	\$ --	Accounts Payable
Salaries and Employee Benefits Payable	1,151	7	--	--	--	566	315	--	--	--	Salaries and Employee Benefits Payable
Deposits from Others	6,917	1	--	--	--	4,970	300	--	--	--	Deposits from Others
Due to Other Funds	16,916	209	276	4	53	4,935	445	7,293	--	--	Due to Other Funds
Due to Other Governmental Agencies	5,072	186	--	--	--	1,274	--	--	--	--	Due to Other Governmental Agencies
Deferred Revenue	14,547	--	--	17	231	3,050	2,034	1,864	--	--	Deferred Revenue
Total Liabilities	<u>53,559</u>	<u>838</u>	<u>283</u>	<u>42</u>	<u>284</u>	<u>15,277</u>	<u>4,287</u>	<u>9,157</u>	<u>--</u>	<u>--</u>	Total Liabilities
Fund Balances											Fund Balances
Reserved	441,592	28	17,292	1,497	206	2,762	7,858	4,964	--	--	Reserved
Unreserved											Unreserved
Undesignated	372,440	831	--	188	275	109,131	16,111	34,223	3,092	4,674	Undesignated
Total Fund Balances	<u>814,032</u>	<u>859</u>	<u>17,292</u>	<u>1,685</u>	<u>481</u>	<u>111,893</u>	<u>23,969</u>	<u>39,187</u>	<u>3,092</u>	<u>4,674</u>	Total Fund Balances
Total Liabilities and Fund Balances	<u>\$ 867,591</u>	<u>\$ 1,697</u>	<u>\$ 17,575</u>	<u>\$ 1,727</u>	<u>\$ 765</u>	<u>\$ 127,170</u>	<u>\$ 28,256</u>	<u>\$ 48,344</u>	<u>\$ 3,092</u>	<u>\$ 4,674</u>	Total Liabilities and Fund Balances

(Continued)

**COUNTY OF ORANGE
COMBINING BALANCE SHEET (Cont'd)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003
(In Thousands)**

	Special Revenue				Debt Service					
	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Revenue Neutrality	Redevelopment Agency	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	Orange County Special Financing Authority	Orange County Public Financing Authority	
ASSETS										ASSETS
Pooled Cash/Investments	\$ 28	\$ 7,366	\$ 11,923	\$ 4,964	\$ 17,406	\$ --	\$ 419	\$ 2,890	\$ --	Pooled Cash/Investments
Imprest Cash Funds	--	--	--	--	--	--	--	--	--	Imprest Cash Funds
Restricted Cash and Investments with Trustee Investments	--	--	3,533	--	4,251	5,470	191,867	122,214	8,474	Restricted Cash and Investments with Trustee Investments
Receivables	--	--	21	--	--	--	--	21	--	Receivables
Accounts	--	--	--	--	--	--	--	--	--	Accounts
Taxes	--	--	--	--	463	--	--	20,907	--	Taxes
Interest/Dividends	--	--	--	--	--	--	--	--	--	Interest/Dividends
Deposits	--	--	100	--	--	--	--	--	--	Deposits
Allowance for Uncollectible Receivables	--	--	--	--	--	--	--	--	--	Allowance for Uncollectible Receivables
Due from Other Funds	4,672	18	26	9	262	--	1	--	--	Due from Other Funds
Due from Other Governmental Agencies	--	--	--	--	--	--	--	--	--	Due from Other Governmental Agencies
Inventory of Materials and Supplies	--	--	--	--	--	--	--	--	--	Inventory of Materials and Supplies
Prepaid Costs	--	--	--	--	--	--	--	1,151	--	Prepaid Costs
Land and Improvements Held for Resale	--	--	--	--	--	--	--	--	--	Land and Improvements Held for Resale
Notes Receivable	--	--	9,287	--	--	--	--	--	--	Notes Receivable
Total Assets	<u>\$ 4,700</u>	<u>\$ 7,384</u>	<u>\$ 24,890</u>	<u>\$ 4,973</u>	<u>\$ 22,382</u>	<u>\$ 5,470</u>	<u>\$ 192,287</u>	<u>\$ 147,183</u>	<u>\$ 8,474</u>	Total Assets
LIABILITIES AND FUND BALANCES										LIABILITIES AND FUND BALANCES
Liabilities										Liabilities
Accounts Payable	\$ --	\$ 17	\$ 1,189	\$ --	\$ --	\$ --	\$ --	\$ 46	\$ --	Accounts Payable
Salaries and Employee Benefits Payable	--	--	263	--	--	--	--	--	--	Salaries and Employee Benefits Payable
Deposits from Others	--	--	1,463	--	--	--	--	--	--	Deposits from Others
Due to Other Funds	--	1	5	--	2,974	--	2	--	--	Due to Other Funds
Due to Other Governmental Agencies	--	--	912	--	2,700	--	--	--	--	Due to Other Governmental Agencies
Deferred Revenue	--	--	--	--	1,075	--	--	6,233	--	Deferred Revenue
Total Liabilities	<u>--</u>	<u>18</u>	<u>3,832</u>	<u>--</u>	<u>6,749</u>	<u>--</u>	<u>2</u>	<u>6,279</u>	<u>--</u>	Total Liabilities
Fund Balances										Fund Balances
Reserved	--	--	15,302	--	15,633	5,470	192,285	139,550	8,474	Reserved
Unreserved										Unreserved
Undesignated	4,700	7,366	5,756	4,973	--	--	--	1,354	--	Undesignated
Total Fund Balances	<u>4,700</u>	<u>7,366</u>	<u>21,058</u>	<u>4,973</u>	<u>15,633</u>	<u>5,470</u>	<u>192,285</u>	<u>140,904</u>	<u>8,474</u>	Total Fund Balances
Total Liabilities and Fund Balances	<u>\$ 4,700</u>	<u>\$ 7,384</u>	<u>\$ 24,890</u>	<u>\$ 4,973</u>	<u>\$ 22,382</u>	<u>\$ 5,470</u>	<u>\$ 192,287</u>	<u>\$ 147,183</u>	<u>\$ 8,474</u>	Total Liabilities and Fund Balances

(Continued)

COUNTY OF ORANGE
COMBINING BALANCE SHEET (Cont'd)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003
(In Thousands)

	Capital Projects			Permanent Fund	
	Criminal Justice Facilities	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Telecommunications Equipment	Regional Park Endowment
ASSETS					
Pooled Cash/Investments	\$ 51,180	\$ 42,349	\$ 107,358	\$ --	\$ 244
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee Investments	--	--	386	335	--
Receivables	--	--	6,809	--	--
Accounts	--	1	--	--	--
Taxes	--	--	--	--	--
Interest/Dividends	2	--	6	--	--
Deposits	--	2,606	--	--	--
Allowance for Uncollectible Receivables	--	(1)	--	--	--
Due from Other Funds	90	1,195	211	--	1
Due from Other Governmental Agencies	552	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	1,996	--	--	--
Notes Receivable	--	1,228	--	--	--
Total Assets	<u>\$ 51,824</u>	<u>\$ 49,374</u>	<u>\$ 114,770</u>	<u>\$ 335</u>	<u>\$ 245</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 4,790	\$ 78	\$ 698	\$ --	\$ --
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	--	25	--	--	158
Due to Other Funds	634	61	24	--	--
Due to Other Governmental Agencies	--	--	--	--	--
Deferred Revenue	43	--	--	--	--
Total Liabilities	<u>5,467</u>	<u>164</u>	<u>722</u>	<u>--</u>	<u>158</u>
Fund Balances					
Reserved	23,818	6,399	--	--	54
Undesignated	22,539	42,811	114,048	335	33
Total Fund Balances	<u>46,357</u>	<u>49,210</u>	<u>114,048</u>	<u>335</u>	<u>87</u>
Total Liabilities and Fund Balances	<u>\$ 51,824</u>	<u>\$ 49,374</u>	<u>\$ 114,770</u>	<u>\$ 335</u>	<u>\$ 245</u>



COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Total Nonmajor Governmental Funds	Special Revenue								Schedule 1 County- Administered Accounts	
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management	Other Public Protection	Community, Health & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation		
Revenues											Revenues
Taxes	\$ 19,602	\$ --	\$ --	\$ 637	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	Taxes
Licenses, Permits, and Franchises	3,365	27	--	--	--	3,338	--	--	--	--	Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties	19,725	--	--	--	13	3,123	--	--	--	--	Fines, Forfeitures and Penalties
Use of Money and Property	62,850	6,056	261	36	114	4,082	1,020	1,015	59	86	Use of Money and Property
Intergovernmental Revenues	154,339	963	--	8	111	37,310	20,146	--	--	--	Intergovernmental Revenues
Charges for Services	6,291	264	--	22	76	4,630	1,075	--	--	--	Charges for Services
Contributions from Property Owners	83,468	--	--	--	--	--	--	--	--	--	Contributions from Property Owners
Other Revenues	7,442	8	58	2	290	5,484	312	85	--	150	Other Revenues
Total Revenues	357,082	7,318	319	705	604	57,967	22,553	1,100	59	236	
Expenditures											Expenditures
Current											Current
General Government	23,941	--	--	--	116	41	7	64	4	6	General Government
Public Protection	33,498	--	--	--	769	32,729	--	--	--	--	Public Protection
Public Ways and Facilities	7,108	7,108	--	--	--	--	--	--	--	--	Public Ways and Facilities
Public Assistance	112,069	--	279	--	--	--	22,247	--	--	--	Public Assistance
Recreation and Cultural Services	1,392	--	--	1,201	191	--	--	--	--	--	Recreation and Cultural Services
Capital Outlay	107,266	44	188	--	--	2,532	243	--	--	--	Capital Outlay
Debt Service											Debt Service
Principal Retirement	25,890	--	--	--	--	--	380	--	--	--	Principal Retirement
Interest	15,253	--	--	--	--	--	386	--	--	--	Interest
Debt Issuance Costs	43	--	--	--	--	--	--	--	--	--	Debt Issuance Costs
Total Expenditures	326,460	7,152	467	1,201	1,076	35,302	23,263	64	4	6	Total Expenditures
Excess (Deficit) of Revenues Over Expenditures	30,622	166	(148)	(496)	(472)	22,665	(710)	1,036	55	230	Excess (Deficit) of Revenues Over Expenditures
Other Financing Sources (Uses)											Other Financing Sources (Uses)
Transfers In	88,215	1,800	2,696	--	118	41,891	9,947	58	--	--	Transfers In
Transfers Out	(62,524)	(4,019)	(1,542)	--	(1,038)	(29,275)	(61)	(8,908)	--	--	Transfers Out
Net Change in Fund Balances	56,313	(2,053)	1,006	(496)	(1,392)	35,281	9,176	(7,814)	55	230	
Fund Balances - Beginning of Year	757,719	2,912	16,286	2,181	1,873	76,612	14,793	47,001	3,037	4,444	Fund Balances - Beginning of Year
Fund Balances - End of Year	<u>\$ 814,032</u>	<u>\$ 859</u>	<u>\$ 17,292</u>	<u>\$ 1,685</u>	<u>\$ 481</u>	<u>\$ 111,893</u>	<u>\$ 23,969</u>	<u>\$ 39,187</u>	<u>\$ 3,092</u>	<u>\$ 4,674</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, 2003
(In Thousands)

	Special Revenue				Debt Service					
	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Revenue Neutrality	Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	Orange County Special Financing Authority	Orange County Public Financing Authority	
Revenues										Revenues
Taxes	\$ --	\$ --	\$ --	\$ --	\$ 18,965	\$ --	\$ --	\$ --	\$ --	Taxes
Licenses, Permits, and Franchises	--	--	--	--	--	--	--	--	--	Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties	--	--	--	--	15	--	--	9,166	--	Fines, Forfeitures and Penalties
Use of Money and Property	13	135	485	62	581	1,340	37,991	3,299	2,072	Use of Money and Property
Intergovernmental Revenues	--	--	89,413	3,016	250	--	--	--	--	Intergovernmental Revenues
Charges for Services	--	--	--	--	--	--	--	--	--	Charges for Services
Contributions from Property Owners	--	--	--	--	--	--	--	--	--	Contributions from Property Owners
Other Revenues	--	--	583	--	21	--	--	--	--	Other Revenues
Total Revenues	13	135	90,461	3,078	19,832	1,340	37,991	12,465	2,072	Total Revenues
Expenditures										Expenditures
Current										Current
General Government	4,054	377	--	4	8,436	--	47	10,785	--	General Government
Public Protection	--	--	--	--	--	--	--	--	--	Public Protection
Public Ways and Facilities	--	--	--	--	--	--	--	--	--	Public Ways and Facilities
Public Assistance	--	--	89,543	--	--	--	--	--	--	Public Assistance
Recreation and Cultural Services	--	--	--	--	--	--	--	--	--	Recreation and Cultural Services
Capital Outlay	--	--	--	--	--	--	--	--	--	Capital Outlay
Debt Service										Debt Service
Principal Retirement	--	--	--	--	1,935	4,485	13,840	700	4,550	Principal Retirement
Interest	--	--	--	--	4,284	548	4,177	1,489	4,369	Interest
Debt Issuance Costs	--	--	--	--	--	--	--	--	43	Debt Issuance Costs
Total Expenditures	4,054	377	89,543	4	14,655	5,033	18,064	12,974	8,962	Total Expenditures
Excess (Deficit) of Revenues Over Expenditures	(4,041)	(242)	918	3,074	5,177	(3,693)	19,927	(509)	(6,890)	Excess (Deficit) of Revenues Over Expenditures
Other Financing Sources (Uses)										Other Financing Sources (Uses)
Transfers In	5,679	--	--	--	1,542	2,401	7,312	--	7,916	Transfers In
Transfers Out	--	--	--	--	(3,796)	(84)	(8,002)	--	--	Transfers Out
Net Change in Fund Balances	1,638	(242)	918	3,074	2,923	(1,376)	19,237	(509)	1,026	Net Change in Fund Balances
Fund Balances - Beginning of Year	3,062	7,608	20,140	1,899	12,710	6,846	173,048	141,413	7,448	Fund Balances - Beginning of Year
Fund Balances - End of Year	\$ 4,700	\$ 7,366	\$ 21,058	\$ 4,973	\$ 15,633	\$ 5,470	\$ 192,285	\$ 140,904	\$ 8,474	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, 2003
(In Thousands)

	Capital Projects				Permanent Fund
	Criminal Justice Facilities	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Telecommunications Equipment	Regional Park Endowment
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	7,408	--	--	--	--
Use of Money and Property	1,786	841	1,507	5	4
Intergovernmental Revenues	1,340	520	1,262	--	--
Charges for Services	--	--	224	--	--
Contributions from Property Owners	--	--	83,468	--	--
Other Revenues	12	393	83	--	1
Total Revenues	<u>10,546</u>	<u>1,754</u>	<u>86,524</u>	<u>5</u>	<u>5</u>
Expenditures					
Current					
General Government	--	--	--	--	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Public Assistance	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	41,821	2,012	60,103	323	--
Debt Service					
Principal Retirement	--	--	--	--	--
Interest	--	--	--	--	--
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	<u>41,821</u>	<u>2,012</u>	<u>60,103</u>	<u>323</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	(31,275)	(258)	26,421	(318)	5
Other Financing Sources (Uses)					
Transfers In	5,755	1,100	--	--	--
Transfers Out	(4,766)	--	--	(1,033)	--
Net Change in Fund Balances	<u>(30,286)</u>	<u>842</u>	<u>26,421</u>	<u>(1,351)</u>	<u>5</u>
Fund Balances - Beginning of Year	76,643	48,368	87,627	1,686	82
Fund Balances - End of Year	<u>\$ 46,357</u>	<u>\$ 49,210</u>	<u>\$ 114,048</u>	<u>\$ 335</u>	<u>\$ 87</u>



**COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)**

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Parking Facilities								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 1,775	\$ --	\$ 1,775	\$ 2,042	\$ 267		
Charges for Services		267	--	267	264	(3)		
Other Revenues		25	--	25	7	(18)		
Transfers In		2,200	(400)	1,800	1,800	--		
Total Revenues and Other Financing Sources		4,267	(400)	3,867	4,113	246		
Expenditures/Encumbrances and Other Financing Uses								
Public Ways and Facilities:								
Parking Facilities	\$ 139	4,776	314	5,229	3,665	1,564	\$ 26	\$ 1,538
Total Expenditures/Encumbrances	139	4,776	314	5,229	3,665	1,564	26	1,538
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	(139)	(509)	(714)	(1,362)	448	\$ 1,810		
Fund Balances - Budgeted Fund - Beginning of Year	--	509	--	509	1,356			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	1,556			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(2,527)			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	--			
Fund Balance Reserved for Encumbrances	139	--	--	139	26			
Provisions for Reserves and/or Designations	--	--	714	714	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 859			
Redevelopment Agency Revenues and Other Financing Sources								
Use of Money and Property	\$ 400	\$ --	\$ 400	\$ 261	\$ (139)			
Other Revenues	--	--	--	58	58			
Transfers In	2,590	--	2,590	2,696	106			
Total Revenues and Other Financing Sources	2,990	--	2,990	3,015	25			
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 31	14,735	1,261	16,027	2,009	14,018	\$ 112	\$ 13,906
Total Expenditures/Encumbrances	31	14,735	1,261	16,027	2,009	14,018	112	13,906
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	(31)	(11,745)	(1,261)	(13,037)	1,006	\$ 14,043		
Fund Balance - Beginning of Year	--	11,745	--	11,745	16,286			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(3,189)			
Fund Balance Reserved for Encumbrances	31	--	--	31	112			
Provisions for Reserves and/or Designations	--	--	1,261	1,261	3,077			
Fund Balance - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 17,292			

Service Areas, Lighting and Maintenance Districts Revenues

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Taxes		\$ 623	\$ --	\$ 623	\$ 637	\$ 14		
Use of Money and Property		87	--	87	36	(51)		
Intergovernmental Revenues		8	--	8	8	--		
Charges for Services		22	--	22	22	--		
Other Revenues		3	--	3	2	(1)		
Total Revenues		743	--	743	705	(38)		

Expenditures/Encumbrances and Other Financing Uses

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Recreation and Cultural Services:								
County Service Area No. 4 - Leisure World	\$ 13	357	702	1,072	1,047	25	\$ --	\$ 25
North Tustin Landscaping and Lighting Assessment District	53	263	49	365	117	248	80	168
County Service Area No. 13 - La Mirada	--	7	1	8	3	5	--	5
County Service Area No. 20 - La Habra	--	7	5	12	--	12	--	12
County Service Area No. 22 - East Yorba Linda	2	54	(2)	54	34	20	3	17
Total Expenditures/Encumbrances	68	688	755	1,511	1,201	310	83	227
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	(68)	55	(755)	(768)	(496)	\$ 272		
Fund Balances - Beginning of Year	--	694	--	694	2,181			
Cancellation of Prior Year Reserves/Designations	--	4	--	4	(1,497)			
Fund Balance Reserved for Encumbrances	68	--	--	68	83			
Provisions for Reserves and/or Designations	--	(753)	755	2	1,414			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 1,685			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Other Environmental Management								
Revenues and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 30	\$ --	\$ 30	\$ 13	\$ (17)		
Use of Money and Property		184	28	212	114	(98)		
Intergovernmental Revenues		150	6	156	111	(45)		
Charges for Services		71	--	71	76	5		
Other Revenues		27	219	246	290	44		
Transfers In		225	--	225	118	(107)		
Total Revenues and Other Financing Sources		687	253	940	722	(218)		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Real Estate Development Program	\$ --	174	9	183	1,497	(1,314)	\$ --	\$ (1,314)
Air Quality Improvement	88	316	9	413	96	317	--	317
Public Protection:								
Fish and Game Propagation	--	102	1	103	10	93	--	93
Survey Monument Preservation	--	107	63	170	62	108	--	108
Local Redevelopment Authority Operations	1,091	1,089	230	2,410	1,497	913	--	913
Local Redevelopment Authority	2,170	225	--	2,395	148	2,247	--	2,247
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	195	(4)	191	191	--	--	--
Total Expenditures/Encumbrances and Other Financing Uses	3,349	2,208	308	5,865	3,501	2,364	\$ --	\$ 2,364
Deficit of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	(3,349)	(1,521)	(55)	(4,925)	(2,779)	\$ 2,146		
Fund Balances - Beginning of Year								
Cancellation of Prior Year Reserves/Designations	--	1,521	--	1,521	1,873	--	--	--
Fund Balance Reserved for Encumbrances	3,349	--	--	3,349	--	--	--	--
Provisions for Reserves and/or Designations	--	--	55	55	--	--	--	--
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 481			

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Other Public Protection								
Revenues and Other Financing Sources								
Licenses, Permits, and Franchises		\$ 8,371	\$ (835)	\$ 7,536	\$ 3,338	\$ (4,198)		
Fines, Forfeitures and Penalties		2,749	--	2,749	3,123	374		
Use of Money and Property		5,931	(4)	5,927	4,082	(1,845)		
Intergovernmental Revenues		13,073	20	13,093	37,310	24,217		
Charges for Services		10,742	(2,654)	8,088	4,630	(3,458)		
Other Revenues		10,956	215	11,171	5,484	(5,687)		
Transfers In		7,824	--	7,824	41,891	34,067		
Total Revenues/Other Financing Sources		59,646	(3,258)	56,388	99,858	43,470		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Remittance Processing Equipment Replacement	\$ 3	476	(3)	476	224	252	\$ 3	\$ 249
Public Protection:								
Orange County Pro-Active Methamphetamine Laboratory Investigation Team	--	1,205	--	1,205	1,172	33	--	33
County Automated Fingerprint Identification	24	1,279	(7)	1,296	664	632	30	602
Building and Safety	471	19,494	(6,042)	13,923	11,968	1,955	416	1,539
Narcotic Forfeiture and Seizure	--	2,093	(188)	1,905	290	1,615	--	1,615
Sheriff-Regional Narcotics Suppression Program	47	5,008	(1,102)	3,953	2,696	1,257	16	1,241
Motor Vehicle Theft Task Force	4	4,239	(249)	3,994	2,123	1,871	20	1,851
Traffic Violator	--	1,313	48	1,361	277	1,084	--	1,084
Childrens' Waiting Room	--	398	93	491	232	259	--	259
Sheriff Narcotics Program	3	1,530	(5)	1,528	1,174	354	8	346
Orange County Jail	--	2,339	36	2,375	1,575	800	--	800
Contract Cities Shared Forfeitures	--	17	--	17	(2)	19	--	19
County Public Safety Sales Tax Excess Revenues	--	36,688	7,829	44,517	15,197	29,320	--	29,320
California Automated Fingerprint Identification Operational Costs	--	1,280	(2)	1,278	1	1,277	--	1,277
California Automated Fingerprint Identification Systems Costs	625	4,414	488	5,527	417	5,110	--	5,110
Sheriff's Supplemental Law Enforcement Services	--	1,276	(1)	1,275	1,260	15	--	15
District Attorney's Supplemental Law Enforcement Services	--	1,018	13	1,031	1,018	13	--	13
Local Law Enforcement Block Grant	--	351	(19)	332	211	121	--	121
Superior Court Integrated Court Management System, Phase III Acquisition	--	--	--	--	--	--	--	--
Ward Welfare	27	678	(36)	669	234	435	--	435
Court Facilities	119	2,973	(1,249)	1,843	407	1,436	233	1,203
Sheriff's Substations Fee Program	83	4,978	1	5,062	3	5,059	83	4,976
Jail Commissary	36	4,743	355	5,134	4,753	381	37	344
Inmate Welfare	115	9,421	1,162	10,698	5,023	5,675	121	5,554
800 MHz County-Wide Coordinated Communications System	370	10,616	504	11,490	4,397	7,093	102	6,991
Delta Special Revenue	--	58	3	61	6	55	3	52
Total Expenditures/Encumbrances and Other Financing Uses	1,927	117,885	1,629	121,441	55,320	66,121	\$ 1,072	\$ 65,049
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	(1,927)	(58,239)	(4,887)	(65,053)	44,538	\$ 109,591		
Fund Balances - Beginning of Year								
Cancellation of Prior Year Reserves/Designations	(6,834)	--	--	6,834	(12,019)	--	--	--
Fund Balance Reserved for Encumbrances	8,761	--	--	8,761	1,072	--	--	--
Provisions for Reserves and/or Designations	--	--	4,887	4,649	1,690	--	--	--
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 111,893			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations		Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Recovery Certificates of Participation									Plan of Adjustment								
Revenues									Available Cash								
Use of Money and Property		\$ 200	\$ --	\$ 200	\$ 59	\$ (141)			Revenues and Other		\$ 41	\$ --	\$ 41	\$ 13	\$ (28)		
Total Revenues		200	--	200	59	(141)			Financing Sources		3,908	1,140	5,048	5,679	631		
Expenditures/Encumbrances and Other Financing Uses									Use of Money and Property								
General Government:									Transfers In								
1996 Recovery Certificates of Participation, Series A	\$ --	3,505	(268)	3,237	4	3,233	\$ --	\$ 3,233	Total Revenues and Other Financing Sources		3,949	1,140	5,089	5,692	603		
Total Expenditures/Encumbrances	--	3,505	(268)	3,237	4	3,233	\$ --	\$ 3,233	Expenditures/Encumbrances								
Excess (Deficit) of Revenues and Other Financing Sources									General Government:								
Over Expenditures/Encumbrances	--	(3,305)	268	(3,037)	55	3,092			Option B Pool Participants' Registered Warrants	\$ --	1,021	--	1,021	1,008	13	\$ --	\$ 13
Fund Balances - Beginning of Year	--	3,305	--	3,305	3,037				Class B-27 Registered Warrants	--	202	--	202	--	202	--	202
Provisions for Reserves and/or Designations	--	--	(268)	(268)	--				Recovery Plan of Adjustment Available Cash	--	4,774	2,154	6,928	3,046	3,882	--	3,882
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 3,092				Total Expenditures/Encumbrances	--	5,997	2,154	8,151	4,054	4,097	\$ --	\$ 4,097
Schedule 1 County-Administered Accounts									Excess (Deficit) of Revenues and Other Financing Sources								
Revenues									Over Expenditures/Encumbrances								
Use of Money and Property		\$ 107	\$ --	\$ 107	\$ 86	\$ (21)			Fund Balances - Beginning of Year	--	(2,048)	(1,014)	(3,062)	1,638	\$ 4,700		
Other Revenues		55	--	55	150	95			Provisions for Reserves and/or Designations	--	--	1,014	1,014	--			
Total Revenues		162	--	162	236	74			Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 4,700			
Expenditures/Encumbrances and Other Financing Uses									Deferred Compensation Reimbursement								
General Government:									Revenues								
Litigation Reserve - Escrow									Use of Money and Property		\$ 248	\$ --	\$ 248	\$ 135	\$ (113)		
AG FTCI	\$ --	184	--	184	--	184	\$ --	\$ 184	Total Revenues		248	--	248	135	(113)		
Indemnification Reserve	--	1,183	(22)	1,161	1	1,160	--	1,160	Expenditures/Encumbrances								
Litigation Reserve	--	3,259	2	3,261	5	3,256	--	3,256	General Government:								
Total Expenditures/Encumbrances	--	4,626	(20)	4,606	6	4,600	\$ --	\$ 4,600	Deferred Compensation Reimbursement	\$ 13	7,766	76	7,855	377	7,478	\$ --	\$ 7,478
Excess (Deficit) of Revenues and Other Financing Sources									Total Expenditures/Encumbrances	13	7,766	76	7,855	377	7,478	\$ --	\$ 7,478
Over Expenditures/Encumbrances	--	(4,464)	20	(4,444)	230	4,674			Deficit of Revenues								
Fund Balances - Beginning of Year	--	4,464	--	4,464	4,444				Over Expenditures/Encumbrances	(13)	(7,518)	(76)	(7,607)	(242)	\$ 7,365		
Provisions for Reserves and/or Designations	--	--	(20)	(20)	--				Fund Balances - Beginning of Year	--	7,518	--	7,518	7,608			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 4,674				Fund Balance Reserved for Encumbrances								
									Provisions for Reserves and/or Designations	13	--	--	13	--			
									Fund Balances - End of Year	\$ --	\$ --	\$ 76	\$ 76	\$ --			

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Orange County								
Housing Authority								
Revenues								
Use of Money and Property		\$ 817	\$ --	\$ 817	\$ 454	\$ (363)		
Intergovernmental Revenues		--	--	--	49	49		
Other Revenues		--	--	--	18	18		
Total Revenues		<u>817</u>	<u>--</u>	<u>817</u>	<u>521</u>	<u>(296)</u>		
Expenditures/Encumbrances								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 35	6,150	172	6,357	634	5,723	\$ 14	\$ 5,709
Total Expenditures/Encumbrances	<u>35</u>	<u>6,150</u>	<u>172</u>	<u>6,357</u>	<u>634</u>	<u>5,723</u>	<u>14</u>	<u>5,709</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	(35)	(5,333)	(172)	(5,540)	(113)	<u>\$ 5,427</u>		
Fund Balances - Beginning of Year	--	6,972	--	6,972	21,125			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	(985)			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	1,031			
Cancellation of Prior Year Reserves/Designations	--	1,637	--	1,637	(15,301)			
Fund Balance Reserved for Encumbrances	35	--	--	35	14			
Provisions for Reserves and/or Designations	--	--	172	172	15,287			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ 3,276</u>	<u>\$ --</u>	<u>\$ 3,276</u>	<u>\$ 21,058</u>			
Revenue Neutrality								
Revenues and Other								
Financing Sources								
Use of Money and Property	\$ --	\$ --	\$ --	\$ --	\$ 62	\$ 62		
Intergovernmental Revenues	--	--	--	--	3,016	3,016		
Transfers In	--	3,447	3,447	3,447	--	(3,447)		
Total Revenues and Other Financing Sources	<u>--</u>	<u>3,447</u>	<u>3,447</u>	<u>3,447</u>	<u>3,078</u>	<u>(369)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Revenue Neutrality Trust	\$ --	--	3,447	3,447	4	3,443	\$ --	\$ 3,443
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>--</u>	<u>3,447</u>	<u>3,447</u>	<u>4</u>	<u>3,443</u>	<u>--</u>	<u>3,443</u>
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	--	--	--	--	3,074	<u>\$ 3,074</u>		
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	1,899			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,973</u>			



COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Redevelopment Agency Bonds								
Revenues and Other								
Financing Sources								
Taxes		\$ 15,708	\$ --	\$ 15,708	\$ 18,965	\$ 3,257		
Fines, Forfeitures and Penalties		--	--	--	15	15		
Use of Money and Property		660	--	660	581	(79)		
Intergovernmental Revenues		200	--	200	250	50		
Other Revenues		--	--	--	21	21		
Transfers In		1,742	--	1,742	1,542	(200)		
Total Revenues and Other Financing Sources		18,310	--	18,310	21,374	3,064		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Development Agency Debt Service - Santa Ana Heights	\$ --	15,610	(572)	15,038	10,068	4,970	\$ --	\$ 4,970
Orange County Development Agency (NDAPP) - Debt Service	--	16,134	(135)	15,999	8,383	7,616	--	7,616
Total Expenditures/Encumbrances and Other Financing Uses	--	31,744	(707)	31,037	18,451	12,586	\$ --	\$ 12,586
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(13,434)	707	(12,727)	2,923	\$ 15,650		
Fund Balances - Beginning of Year	--	13,434	--	13,434	12,710			
Provisions for Reserves and/or Designations	--	--	(707)	(707)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 15,633			
Public Facilities Corporation								
Bonds, Master Lease								
Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ 6,846			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(1,376)			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 5,470			

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Pension Obligation Bonds								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,500	\$ --	\$ 1,500	\$ 37,991	\$ 36,491		
Transfers In		8,480	(1,557)	6,923	7,312	389		
Total Revenues and Other Financing Sources		9,980	(1,557)	8,423	45,303	36,880		
Expenditures/Encumbrances								
General Government:								
Pension Obligation Bonds Debt Service	\$ --	184,726	(3,255)	181,471	26,066	155,405	\$ --	\$ 155,405
Total Expenditures/Encumbrances	--	184,726	(3,255)	181,471	26,066	155,405	\$ --	\$ 155,405
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances	--	(174,746)	1,698	(173,048)	19,237	\$ 192,285		
Fund Balances - Beginning of Year	--	174,746	--	174,746	173,048			
Provisions for Reserves and/or Designations	--	--	(1,698)	(1,698)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 192,285			
Orange County Special Financing Authority								
Revenues								
Fines, Forfeitures and Penalties		\$ 29,200	\$ --	\$ 29,200	\$ 9,166	\$ (20,034)		
Use of Money and Property		6,000	--	6,000	3,299	(2,701)		
Total Revenues		35,200	--	35,200	12,465	(22,735)		
Expenditures/Encumbrances								
General Government:								
Orange County Special Financing Authority	\$ --	150,495	9,273	159,768	12,974	146,794	\$ --	\$ 146,794
Total Expenditures/Encumbrances	--	150,495	9,273	159,768	12,974	146,794	\$ --	\$ 146,794
Deficit of Revenues Over Expenditures/Encumbrances	--	(115,295)	(9,273)	(124,568)	(509)	\$ 124,059		
Fund Balances - Beginning of Year	--	115,295	--	115,295	141,413			
Provisions for Reserves and/or Designations	--	--	9,273	9,273	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 140,904			
Orange County Public Financing Authority								
Fund Balances - Non-Budgeted Fund - Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ 7,448			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	1,026			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 8,474			

**COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)**

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Criminal Justice Facilities								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties	\$	8,150	\$ --	\$ 8,150	\$ 7,408	\$ (742)		
Use of Money and Property		1,482	22	1,504	1,786	282		
Intergovernmental Revenues		400	1,250	1,650	1,340	(310)		
Other Revenues		--	--	--	12	12		
Transfers In		2,215	3,977	6,192	5,755	(437)		
Total Revenues and Other Financing Sources		12,247	5,249	17,496	16,301	(1,195)		
Expenditures/Encumbrances								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$	3,615	6,800	2,010	12,425	4,425	8,000	\$ 4,344
Courthouse Temporary Construction		6	4,552	149	4,707	4,592	115	--
Sheriff-Coroner Construction and Facility Development		20,586	16,795	6,973	44,354	22,171	22,183	3,831
Theo Lacy Jail Construction		28,463	31,933	(28,675)	31,721	15,399	16,322	14,112
Total Expenditures/Encumbrances		52,670	60,080	(19,543)	93,207	46,587	46,620	\$ 22,287
Excess (Deficit) of Revenues and Other Financing Sources						\$ 45,425		\$ 24,333
Over Expenditures/Encumbrances		(52,670)	(47,833)	24,792	(75,711)	(30,286)		
Fund Balances - Beginning of Year		--	50,792	--	50,792	76,643		
Cancellation of Prior Year Reserves/Designations		--	--	--	(20,755)			
Fund Balance Reserved for Encumbrances		52,670	--	--	52,670	22,287		
Provisions for Reserves and/or Designations		--	(2,959)	(24,792)	(27,751)	(1,532)		
Fund Balances - End of Year	\$	--	\$ --	\$ --	\$ 46,357			\$ 46,357

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property	\$	1,438	\$ --	\$ 1,438	\$ 841	\$ (597)		
Intergovernmental Revenues		1,900	--	1,900	520	(1,380)		
Other Revenues		--	--	--	393	393		
Transfers In		1,100	--	1,100	1,100	--		
Total Revenues and Other Financing Sources		4,438	--	4,438	2,854	(1,584)		
Expenditures/Encumbrances								
General Government:								
Orange County Development								
Agency - Santa Ana Heights								
1993 Bond Issue	\$	2,858	23,455	(186)	26,127	931	25,196	\$ 2,944
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing		--	145	(9)	136	--	136	--
Orange County Development Agency - Santa Ana Heights Surplus		30	13,164	755	13,949	668	13,281	141
Orange County Development Agency (NDAPP) Projects, 1992 Issue A		20	1,012	(6)	1,026	61	965	25
NDAPP - Low/Moderate Income Housing, 1992, Issue A		--	3,255	22	3,277	170	3,107	4
Orange County Development Agency (NDAPP) Projects, 1992 Issue B		--	1,247	(8)	1,239	7	1,232	5
Orange County Development Agency (NDAPP) Projects, 1992 Issue B Low/Moderate Income Housing		--	2,352	(12)	2,340	3	2,337	5
Orange County Development Agency-Neighborhood Preservation and Development Construction		--	712	(5)	707	1	706	--
Orange County Development Agency (NDAPP) Surplus		--	374	286	660	171	489	50
Total Expenditures/Encumbrances		2,908	45,716	837	49,461	2,012	47,449	\$ 3,174
Excess (Deficit) of Revenues and Other Financing Sources		(2,908)	(41,278)	(837)	(45,023)	842		\$ 45,865
Over Expenditures/Encumbrances								
Fund Balances - Beginning of Year		--	41,278	--	41,278	48,368		
Cancellation of Prior Year Reserves/Designations		--	--	--	--	(6,399)		
Fund Balance Reserved for Encumbrances		2,908	--	--	2,908	3,174		
Provisions for Reserves and/or Designations		--	--	--	837	837		3,225
Fund Balances - End of Year	\$	--	\$ --	\$ --	\$ 49,210			\$ 49,210

(Continued)

COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS (Cont'd)
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Special Assessment Districts, Community Facilities Districts, and Service Areas Revenues and Other Financing Sources								
Use of Money and Property		\$ 2,949	\$ 500	\$ 3,449	\$ 1,507	\$ (1,942)		
Intergovernmental Revenues		--	--	--	1,262	1,262		
Charges for Services		65	--	65	224	159		
Contributions from Property Owners		--	83,500	83,500	83,468	(32)		
Other Revenues		100	--	100	63	(37)		
Transfers In		--	320	320	--	(320)		
Total Revenues and Other Financing Sources		3,114	84,320	87,434	86,524	(910)		
Expenditures/Encumbrances								
General Government:								
Aliso Viejo Community Facilities District 88-1(A) 1992-Construction	\$ --	25,812	(660)	25,152	18,452	6,700	\$ --	\$ 6,700
Special Assessment-Top of the World Improvement	--	43	--	43	--	43	--	43
CFD 99-1, Ladera Construction Series A of 1999 Construction	--	1,816	(344)	1,472	1,112	360	--	360
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction	--	3,417	(1,824)	1,593	172	1,421	--	1,421
Rancho Santa Margarita Community Facilities District 86-1, Series A of 1998 Construction	--	191	(16)	175	--	175	--	175
CFD 2002-1 Ladera Construction	--	--	57,000	57,000	3,971	53,029	--	53,029
Santa Margarita Community Facilities District 86-1 (1988) Construction	--	86	(64)	2	--	2	--	2
Lomas Laguna Community Facilities District 88-2 Construction	--	337	--	337	--	337	--	337
Community Facilities District 87-4 Series A of 1997 Construction	--	506	(150)	356	171	185	--	185
Irvine Coast Assessment District 88-1 Construction	2	32,752	(24,479)	8,275	7,237	1,038	--	1,038
Baker Ranch Community Facilities District 87-6 Construction	--	443	11	454	--	454	--	454
Santa Teresita Community Facilities District 87-9 Construction	--	190	--	190	--	190	--	190
Newport Coast IV Construction 01-1 Portola Hills Community Facilities District 87-2(A) 91 Construction	--	27,100	--	27,100	8,826	18,274	--	18,274
Mission Viejo Community Facilities District 87-3(A) 90 Construction	--	7,775	41	7,816	4,655	3,161	--	3,161
CFD 01-1 Ladera Construction Series A of 2001 Construction	--	27,100	(3,620)	23,480	12,345	11,135	--	11,135
Santa Teresita Community Facilities District 87-9(A) 1991 Construction	--	1,099	(713)	386	--	386	--	386
CFD 00-1, Ladera Construction Series A of 2000 Construction	--	12,169	(3,194)	8,975	2,175	6,800	--	6,800
Newport Ridge Construction 92-1	--	69	1	70	20	50	--	50
Newport Ridge Construction Series B	--	2,144	14	2,158	3	2,155	--	2,155
Foothill Ranch Community Facilities District 87-4(A) 94 Construction	--	785	(136)	649	190	459	--	459
Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction	--	502	5	507	1	506	--	506
Coto de Caza Community Facilities District 87-8(A) 94 Construction	--	1,488	(25)	1,463	2	1,461	--	1,461
Public Ways and Facilities:								
County Infrastructure Project	--	5,372	2,037	7,409	771	6,638	--	6,638
Total Expenditures/Encumbrances	2	151,196	23,864	175,062	60,103	114,959	\$ --	\$ 114,959
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	(2)	(148,082)	60,456	(87,628)	26,421	\$ 114,049		
Fund Balances - Beginning of Year	--	148,082	--	148,082	87,627			
Fund Balance Reserved for Encumbrances	2	--	--	2	--			
Provisions for Reserves and/or Designations	--	--	(60,456)	(60,456)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 114,048			

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Telecommunications Equipment Revenues								
Use of Money and Property		\$ 233	\$ 120	\$ 353	\$ 5	\$ (348)		
Total Revenues		233	120	353	5	(348)		
Expenditures/Encumbrances								
General Government:								
Telecommunications 2001 Equipment	\$ --	2,367	(328)	2,039	1,356	683	\$ --	\$ 683
Total Expenditures/Encumbrances	--	2,367	(328)	2,039	1,356	683	--	683
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(2,134)	448	(1,686)	(1,351)	\$ 335		
Fund Balances - Beginning of Year and/or Designations	--	2,137	--	2,137	1,686			
Fund Balances - End of Year	\$ --	\$ 3	\$ --	\$ 3	\$ 335			



**COUNTY OF ORANGE
BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)**

	Open Encumbrances July 1, 2002	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2003	Unspent Appropriations
Permanent Fund								
Revenues								
Use of Money and Property		\$ 13	\$ --	\$ 13	\$ 4	\$ (9)		
Other Revenues		<u>3</u>	<u>--</u>	<u>3</u>	<u>1</u>	<u>(2)</u>		
Total Revenues		<u>16</u>	<u>--</u>	<u>16</u>	<u>5</u>	<u>(11)</u>		
Expenditures/Encumbrances								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	40	3	43	--	43	\$ --	\$ 43
Total Expenditures/Encumbrances	<u>--</u>	<u>40</u>	<u>3</u>	<u>43</u>	<u>--</u>	<u>43</u>	<u>\$ --</u>	<u>\$ 43</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(24)	(3)	(27)	5	<u>\$ 32</u>		
Fund Balances - Beginning of Year	--	24	--	24	82			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(54)			
Provisions for Reserves								
and/or Designations	<u>--</u>	<u>--</u>	<u>3</u>	<u>3</u>	<u>54</u>			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 87</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, 2003
(In Thousands)

	Total	Self-Insured Benefits	Unemployment Insurance	County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology	
ASSETS										ASSETS
Current Assets										Current Assets
Pooled Cash/Investments	\$ 134,909	\$ 4,576	\$ 6,021	\$ 46,339	\$ 27,456	\$ 38,525	\$ 4,546	\$ 631	\$ 6,815	Pooled Cash/Investments
Imprest Cash Funds	133	125	--	--	--	5	--	--	3	Imprest Cash Funds
Receivables										Receivables
Accounts Receivable	210	--	--	2	--	--	165	1	42	Accounts Receivable
Allowance for Uncollectible Receivables	(2)	--	--	(1)	--	--	--	(1)	--	Allowance for Uncollectible Receivables
Due from Other Funds	4,407	11	15	378	155	191	2,931	411	315	Due from Other Funds
Due from Component Unit	4	--	--	--	--	--	--	4	--	Due from Component Unit
Due from Other Governmental Agencies	93	--	--	--	2	--	40	42	9	Due from Other Governmental Agencies
Inventory of Materials and Supplies	614	--	--	--	--	--	525	89	--	Inventory of Materials and Supplies
Total Current Assets	140,368	4,712	6,036	46,718	27,613	38,721	8,207	1,177	7,184	Total Current Assets
Noncurrent Assets										Noncurrent Assets
Structures and Improvements	4,509	--	--	--	--	--	4,509	--	--	Structures and Improvements
Accumulated Depreciation	(3,472)	--	--	--	--	--	(3,472)	--	--	Accumulated Depreciation
Equipment	86,735	14	--	14	11	6	27,868	1,063	57,759	Equipment
Accumulated Depreciation	(59,167)	(14)	--	(14)	(3)	(2)	(17,811)	(519)	(40,804)	Accumulated Depreciation
Construction in Progress	602	--	--	--	--	--	295	--	307	Construction in Progress
Total Noncurrent Assets	29,207	--	--	--	8	4	11,389	544	17,262	Total Noncurrent Assets
Total Assets	169,575	4,712	6,036	46,718	27,621	38,725	19,596	1,721	24,446	Total Assets
LIABILITIES										LIABILITIES
Current Liabilities										Current Liabilities
Accounts Payable	1,947	76	--	8	878	525	377	21	62	Accounts Payable
Salaries and Employee Benefits Payable	417	--	--	--	28	34	203	55	97	Salaries and Employee Benefits Payable
Deferred Revenue	2	--	--	--	2	--	--	--	--	Deferred Revenue
Due to Other Funds	698	--	1	5	99	103	210	58	222	Due to Other Funds
Due to Other Governmental Agencies	5	--	--	--	--	--	--	5	--	Due to Other Governmental Agencies
Insurance Claims Payable	50,883	332	283	11,530	30,459	8,279	--	--	--	Insurance Claims Payable
Compensated Employee Absences Payable	807	--	--	--	69	65	414	99	160	Compensated Employee Absences Payable
Capital Lease Obligations Payable	1,142	--	--	--	--	--	--	--	1,142	Capital Lease Obligations Payable
Total Current Liabilities	55,901	408	284	11,543	31,535	9,006	1,204	238	1,683	Total Current Liabilities
Noncurrent Liabilities										Noncurrent Liabilities
Insurance Claims Payable	61,258	--	--	--	52,781	8,477	--	--	--	Insurance Claims Payable
Compensated Employee Absences Payable	838	--	--	--	142	85	444	66	101	Compensated Employee Absences Payable
Capital Lease Obligations Payable	6,431	--	--	--	--	--	--	--	6,431	Capital Lease Obligations Payable
Total Noncurrent Liabilities	68,527	--	--	--	52,923	8,562	444	66	6,532	Total Noncurrent Liabilities
Total Liabilities	124,428	408	284	11,543	84,458	17,568	1,648	304	8,215	Total Liabilities
NET ASSETS										NET ASSETS
Invested in Capital Assets, Net of Related Debt	21,634	--	--	--	8	4	11,389	544	9,689	Invested in Capital Assets, Net of Related Debt
Unrestricted	23,513	4,304	5,752	35,175	(56,845)	21,153	6,559	873	6,542	Unrestricted
Total Net Assets	\$ 45,147	\$ 4,304	\$ 5,752	\$ 35,175	\$ (56,837)	\$ 21,157	\$ 17,948	\$ 1,417	\$ 16,231	Total Net Assets



COUNTY OF ORANGE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Total	Self-Insured Benefits	Unemployment Insurance	County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology	
Operating Revenues										Operating Revenues
Use of Money and Property	\$ 1,028	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,028	Use of Money and Property
Charges for Services	58,776	--	--	--	--	--	15,544	3,533	39,699	Charges for Services
Insurance Premiums	120,833	2,629	1,435	72,550	34,782	9,437	--	--	--	Insurance Premiums
Total Operating Revenues	180,637	2,629	1,435	72,550	34,782	9,437	15,544	3,533	40,727	Total Operating Revenues
Operating Expenses										Operating Expenses
Salaries and Employee Benefits	11,453	--	--	--	728	825	5,867	1,549	2,484	Salaries and Employee Benefits
Services and Supplies	26,847	--	--	1,669	48	8,418	5,113	1,028	10,571	Services and Supplies
Professional Services	29,810	147	254	2,448	2,052	281	1,767	409	22,452	Professional Services
Operating Leases	4,248	--	--	--	6	8	46	793	3,395	Operating Leases
Insurance Claims	93,719	2,406	1,175	49,873	36,917	3,348	--	--	--	Insurance Claims
Other Charges	13,290	--	--	13,286	--	--	4	--	--	Other Charges
Depreciation	6,624	--	--	--	2	1	3,013	58	3,550	Depreciation
Total Operating Expenses	185,991	2,553	1,429	67,276	39,753	12,881	15,810	3,837	42,452	Total Operating Expenses
Operating Income (Loss)	(5,354)	76	6	5,274	(4,971)	(3,444)	(266)	(304)	(1,725)	Operating Income (Loss)
Nonoperating Revenues (Expenses)										Nonoperating Revenues (Expenses)
Intergovernmental Revenues	34	--	--	--	--	--	--	--	34	Intergovernmental Revenues
Interest Revenue	2,336	83	109	724	431	708	111	18	152	Interest Revenue
Interest Expense	(597)	--	--	--	--	--	--	--	(597)	Interest Expense
Loss on Disposition of Capital Assets	(215)	--	--	(1)	--	--	(178)	(5)	(31)	Loss on Disposition of Capital Assets
Other Revenue - Net	1,784	--	--	--	364	441	98	277	604	Other Revenue - Net
Total Nonoperating Revenues	3,342	83	109	723	795	1,149	31	290	162	Total Nonoperating Revenues
Income (Loss) Before Contributions and Transfers	(2,012)	159	115	5,997	(4,176)	(2,295)	(235)	(14)	(1,563)	Income (Loss) Before Contributions and Transfers
Capital Contributions	722	--	--	--	--	--	566	--	156	Capital Contributions
Transfers In	1,163	98	--	992	--	--	73	--	--	Transfers In
Increase (Decrease) in Net Assets	(127)	257	115	6,989	(4,176)	(2,295)	404	(14)	(1,407)	Increase (Decrease) in Net Assets
Net Assets - Beginning of Year	45,274	4,047	5,637	28,186	(52,661)	23,452	17,544	1,431	17,638	Net Assets - Beginning of Year
Net Assets - End of Year	\$ 45,147	\$ 4,304	\$ 5,752	\$ 35,175	\$ (56,837)	\$ 21,157	\$ 17,948	\$ 1,417	\$ 16,231	Net Assets - End of Year



COUNTY OF ORANGE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Total	Self-Insured Benefits	Unemployment Insurance	County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology	
CASH FLOWS FROM OPERATING ACTIVITIES										CASH FLOWS FROM OPERATING ACTIVITIES
Receipts from Customers	\$ 59,874	\$ --	\$ --	\$ 1	\$ --	\$ --	\$ 15,531	\$ 3,556	\$ 40,786	Receipts from Customers
Cash Received for Premiums Within the County's Enty	120,833	2,629	1,435	72,550	34,782	9,437	--	--	--	Cash Received for Premiums Within the County's Enty
Payments to Suppliers for Goods and Services	(145,926)	(2,384)	(1,921)	(52,013)	(27,325)	(17,222)	(7,336)	(1,460)	(36,265)	Payments to Suppliers for Goods and Services
Payments to Employees for Services	(12,768)	--	--	(1,661)	(802)	(727)	(5,614)	(1,483)	(2,481)	Payments to Employees for Services
Payments to Other Funds for Interfund Services Provided and Used	(21)	(2)	--	(4)	78	98	188	(476)	97	Payments to Other Funds for Interfund Services Provided and Used
Cash Received from (Paid for) Interfund Charges	(2,210)	15	25	(152)	(40)	104	(1,735)	(405)	(22)	Cash Received from (Paid for) Interfund Charges
Other Receipts (Payments)	(15,753)	--	--	(13,285)	358	433	48	(516)	(2,791)	Other Receipts (Payments)
Net Cash Provided (Used) by Operating Activities	4,029	258	(461)	5,436	7,051	(7,877)	1,082	(784)	(676)	Net Cash Provided (Used) by Operating Activities
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
Transfers In	1,090	98	--	992	--	--	--	--	--	Transfers In
Intergovernmental Revenues	34	--	--	--	--	--	--	--	34	Intergovernmental Revenues
Net Cash Provided by Noncapital Financing Activities	1,124	98	--	992	--	--	--	--	34	Net Cash Provided by Noncapital Financing Activities
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
Acquisition of Capital Assets	(4,838)	--	--	--	--	--	(3,971)	(123)	(744)	Acquisition of Capital Assets
Interest Paid on Long-Term Debt	(387)	--	--	--	--	--	--	--	(387)	Interest Paid on Long-Term Debt
Principal Paid on Capital Lease Obligations	(1,310)	--	--	--	--	--	--	--	(1,310)	Principal Paid on Capital Lease Obligations
Transfers In	73	--	--	--	--	--	73	--	--	Transfers In
Proceeds from Sale of Capital Assets	205	--	--	--	--	--	205	--	--	Proceeds from Sale of Capital Assets
Net Cash Used by Capital and Related Financing Activities	(6,257)	--	--	--	--	--	(3,693)	(123)	(2,441)	Net Cash Used by Capital and Related Financing Activities
CASH FLOW FROM INVESTING ACTIVITIES										CASH FLOW FROM INVESTING ACTIVITIES
Interest on Investments	2,336	83	109	724	431	708	111	18	152	Interest on Investments
Net Cash Provided by Investing Activities	2,336	83	109	724	431	708	111	18	152	Net Cash Provided by Investing Activities
Net Increase (Decrease) in Cash and Cash Equivalents	1,232	439	(352)	7,152	7,482	(7,169)	(2,500)	(889)	(2,931)	Net Increase (Decrease) in Cash and Cash Equivalents
Cash Balances - Beginning of Year	133,810	4,262	6,373	39,187	19,974	45,699	7,046	1,520	9,749	Cash Balances - Beginning of Year
Cash Balances - End of Year	\$ 135,042	\$ 4,701	\$ 6,021	\$ 46,339	\$ 27,456	\$ 38,530	\$ 4,546	\$ 631	\$ 6,818	Cash Balances - End of Year
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities										Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
Operating Income (Loss)	\$ (5,354)	\$ 76	\$ 6	\$ 5,274	\$ (4,971)	\$ (3,444)	\$ (266)	\$ (304)	\$ (1,725)	Operating Income (Loss)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:										Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
Depreciation	6,624	--	--	--	2	1	3,013	58	3,550	Depreciation
Other Revenue - net	1,784	--	--	--	364	441	98	277	604	Other Revenue - net
(Increases) Decreases In:										(Increases) Decreases In:
Accounts Receivable	(15)	--	--	1	--	--	25	1	(42)	Accounts Receivable
Due from Other Funds	(2,206)	15	25	(152)	(40)	104	(1,735)	(401)	(22)	Due from Other Funds
Due from Component Unit	(4)	--	--	--	--	--	--	(4)	--	Due from Component Unit
Due from Other Governmental Agencies	83	--	--	--	(2)	--	(38)	22	101	Due from Other Governmental Agencies
Inventory of Materials and Supplies	(314)	--	--	--	--	--	(360)	46	--	Inventory of Materials and Supplies
Increases (Decreases) In:										Increases (Decreases) In:
Accounts Payable	(4,296)	43	(622)	8	157	(478)	(96)	(66)	(3,242)	Accounts Payable
Salaries and Employee Benefits Payable	61	--	--	--	--	--	30	8	23	Salaries and Employee Benefits Payable
Deposits From Others	(108)	--	--	--	(119)	11	--	--	--	Deposits From Others
Due to Other Funds	(20)	(2)	1	(4)	78	98	188	(476)	97	Due to Other Funds
Due to Other Governmental Agencies	(3)	--	--	--	--	--	--	(3)	--	Due to Other Governmental Agencies
Insurance Claims Payable	7,402	126	129	309	11,535	(4,697)	--	--	--	Insurance Claims Payable
Deferred Revenue	2	--	--	--	2	--	--	--	--	Deferred Revenue
Compensated Employee Absences Payable	393	--	--	--	45	87	223	58	(20)	Compensated Employee Absences Payable
Total Adjustments	9,383	182	(467)	162	12,022	(4,433)	1,348	(480)	1,049	Total Adjustments
Net Cash Provided (Used) by Operating Activities	\$ 4,029	\$ 258	\$ (461)	\$ 5,436	\$ 7,051	\$ (7,877)	\$ 1,082	\$ (784)	\$ (676)	Net Cash Provided (Used) by Operating Activities
Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts										Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts
Pooled Cash/Investments	\$ 134,909	\$ 4,576	\$ 6,021	\$ 46,339	\$ 27,456	\$ 38,525	\$ 4,546	\$ 631	\$ 6,815	Pooled Cash/Investments
Imprest Cash Funds	133	125	--	--	--	5	--	--	3	Imprest Cash Funds
Total Cash and Cash Equivalents	\$ 135,042	\$ 4,701	\$ 6,021	\$ 46,339	\$ 27,456	\$ 38,530	\$ 4,546	\$ 631	\$ 6,818	Total Cash and Cash Equivalents

Schedule of Noncash Investing, Capital, and Financing Activities:

During the year, the Internal Service Funds of Transportation and Information and Technology received \$566 and \$156 of capital contributions from the General Fund.



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

Extra Help Employees Retirement Plans

This fund is used to account for retirement plans for employees performing services on the basis of less than half-time or as extra help. The eligible employees of these plans 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. These funds have been reclassified as Departmental Agency Funds.

FIDUCIARY FUNDS (Cont'd)

Agency Funds (Cont'd)

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.

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). These funds have been reclassified as Departmental Agency Funds.

**COUNTY OF ORANGE
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 INVESTMENT TRUST FUNDS
 JUNE 30, 2003
 (In Thousands)**

	<u>Total</u>	<u>Investment Pool</u>	<u>Educational Investment Pool</u>
ASSETS			
Pooled Cash/Investments	\$ 2,221,173	\$ 212,362	\$ 2,008,811
Receivables			
Interest/Dividends	4,694	18	4,676
Due from Other Funds	399	399	--
Total Assets	<u>2,226,266</u>	<u>212,779</u>	<u>2,013,487</u>
LIABILITIES			
Due to Other Funds	<u>1,892</u>	<u>1,892</u>	--
Total Liabilities	<u>1,892</u>	<u>1,892</u>	--
NET ASSETS			
Held in Trust	<u>2,224,374</u>	<u>210,887</u>	<u>2,013,487</u>
Total Net Assets	<u>\$ 2,224,374</u>	<u>\$ 210,887</u>	<u>\$ 2,013,487</u>

COUNTY OF ORANGE
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2003
(In Thousands)

ASSETS	<u>Total</u>	<u>Unapportioned Tax and Interest Funds</u>	<u>Departmental Funds</u>
Pooled Cash/Investments	\$ 152,989	\$ 92,261	\$ 60,728
Imprest Cash Funds	10	--	10
Restricted Cash and Investments with Trustee	13,389	--	13,389
Investments	1,322	--	1,322
Deposits In-Lieu of Cash	15,583	--	15,583
Receivables			
Accounts	8,801	8,778	23
Taxes	155,596	155,478	118
Interest/Dividends	7,654	7,654	--
Due from Other Funds	272	--	272
Due from Other Governmental Agencies	726	564	162
Notes Receivable	6,397	--	6,397
Total Assets	<u>\$ 362,739</u>	<u>\$ 264,735</u>	<u>\$ 98,004</u>
LIABILITIES			
Deposits from Others	350	--	350
Monies Held for Others	86,322	1,228	85,094
Due to Other Funds	6,648	5,115	1,533
Due to Component Unit	339	339	--
Due to Other Governmental Agencies	27,472	16,445	11,027
Unapportioned Taxes	241,608	241,608	--
Total Liabilities	<u>\$ 362,739</u>	<u>\$ 264,735</u>	<u>\$ 98,004</u>

COUNTY OF ORANGE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

	Total	Investment Pool	Educational Investment Pool
Additions:			
Contributions to Pooled Investments	\$ 9,860,564	\$ 607,411	\$ 9,253,153
Interest and Investment Income	29,438	5,855	23,583
Less: Investment Expense	(2,140)	(195)	(1,945)
Total Additions	<u>9,887,862</u>	<u>613,071</u>	<u>9,274,791</u>
Deductions:			
Distributions from Pooled Investments	<u>9,612,007</u>	<u>592,121</u>	<u>9,019,886</u>
Total Deductions	<u>9,612,007</u>	<u>592,121</u>	<u>9,019,886</u>
Change in Net Assets Held in Trust For:			
External Investment Pool	275,855	20,950	254,905
Net Assets Held in Trust, Beginning of Year	<u>1,948,519</u>	<u>189,937</u>	<u>1,758,582</u>
Net Assets Held in Trust, End of Year	<u>\$ 2,224,374</u>	<u>\$ 210,887</u>	<u>\$ 2,013,487</u>



COUNTY OF ORANGE
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2003
(In Thousands)

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year	DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year	TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS					ASSETS					ASSETS				
Pooled Cash/Investments	\$ 72,513	\$ 4,079,293	\$ 4,059,545	\$ 92,261	Pooled Cash/Investments	\$ 32,203	\$ 2,111,271	\$ 2,082,746	\$ 60,728	Pooled Cash/Investments	\$ 120,523	\$ 6,599,111	\$ 6,566,645	\$ 152,989
Receivables					Imprest Cash Funds	--	110	100	10	Imprest Cash Funds	10	110	110	10
Accounts	8,798	8,775	8,795	8,778	Restricted Cash and Investments with Trustee	25,640	15,490	27,741	13,389	Restricted Cash and Investments with Trustee	25,640	15,490	27,741	13,389
Taxes	140,575	9,881,508	9,866,605	155,478	Investments	1,343	1,615	1,636	1,322	Investments	1,343	1,615	1,636	1,322
Interest	10,473	43,825	46,644	7,654	Deposits In-Lieu of Cash	14,211	8,773	7,401	15,583	Deposits In-Lieu of Cash	14,211	8,773	7,401	15,583
Due from Other Funds	--	17,924	17,924	--	Receivables					Receivables				
Due from Other Governmental Agencies	266	6,855	6,557	564	Accounts	--	76	53	23	Accounts	8,822	8,873	8,894	8,801
Total Assets	\$ 232,625	\$ 14,038,180	\$ 14,006,070	\$ 264,735	Taxes	104	314	300	118	Taxes	140,679	9,881,822	9,866,905	155,596
LIABILITIES					LIABILITIES					LIABILITIES				
Accounts Payable	\$ --	\$ 81,469	\$ 81,469	\$ --	Interest	27	--	27	--	Interest	10,500	43,825	46,671	7,654
Monies Held for Others	1,135	10,390	10,297	1,228	Allowance for Uncollectible Receivables	--	3	3	--	Allowance for Uncollectible Receivables	--	3	3	--
Due to Other Funds	9,738	61,567	66,190	5,115	Due from Other Funds	161	703,271	703,160	272	Due from Other Funds	161	721,195	721,084	272
Due to Component Unit	734	339	734	339	Due from Other Governmental Agencies	38,918	97,662	136,418	162	Due from Other Governmental Agencies	39,184	104,517	142,975	726
Due to Other Governmental Agencies	19,153	60,712	63,420	16,445	Notes Receivable	6,662	590	855	6,397	Notes Receivable	6,662	590	855	6,397
Unapportioned Taxes	201,865	4,087,250	4,047,507	241,608	Total Assets	\$ 119,269	\$ 2,939,175	\$ 2,960,440	\$ 98,004	Total Assets	\$ 367,735	\$ 17,385,924	\$ 17,390,920	\$ 362,739
Total Liabilities	\$ 232,625	\$ 4,301,727	\$ 4,269,617	\$ 284,735	LIABILITIES					LIABILITIES				
CLEARING AND REVOLVING FUNDS					TRIAL COURT OPERATIONS									
ASSETS					ASSETS									
Pooled Cash/Investments	\$ 578	\$ 408,547	\$ 409,125	\$ --	Pooled Cash/Investments	\$ 15,229	\$ --	\$ 15,229	\$ --					
Receivables					Imprest Cash	10	--	10	--					
Accounts	24	22	46	--	Total Assets	\$ 15,239	\$ --	\$ 15,239	\$ --					
Total Assets	\$ 602	\$ 408,569	\$ 409,171	\$ --	LIABILITIES									
LIABILITIES					LIABILITIES									
Accounts Payable	\$ --	\$ 264	\$ 264	\$ --	Monies Held for Others	\$ 8,561	--	\$ 8,561	\$ --					
Monies Held for Others	602	255,297	255,899	--	Due to Other Governmental Agencies	6,678	--	6,678	--					
Total Liabilities	\$ 602	\$ 255,561	\$ 256,163	\$ --	Total Liabilities	\$ 15,239	\$ --	\$ 15,239	\$ --					

STATISTICAL SECTION
(UNAUDITED)

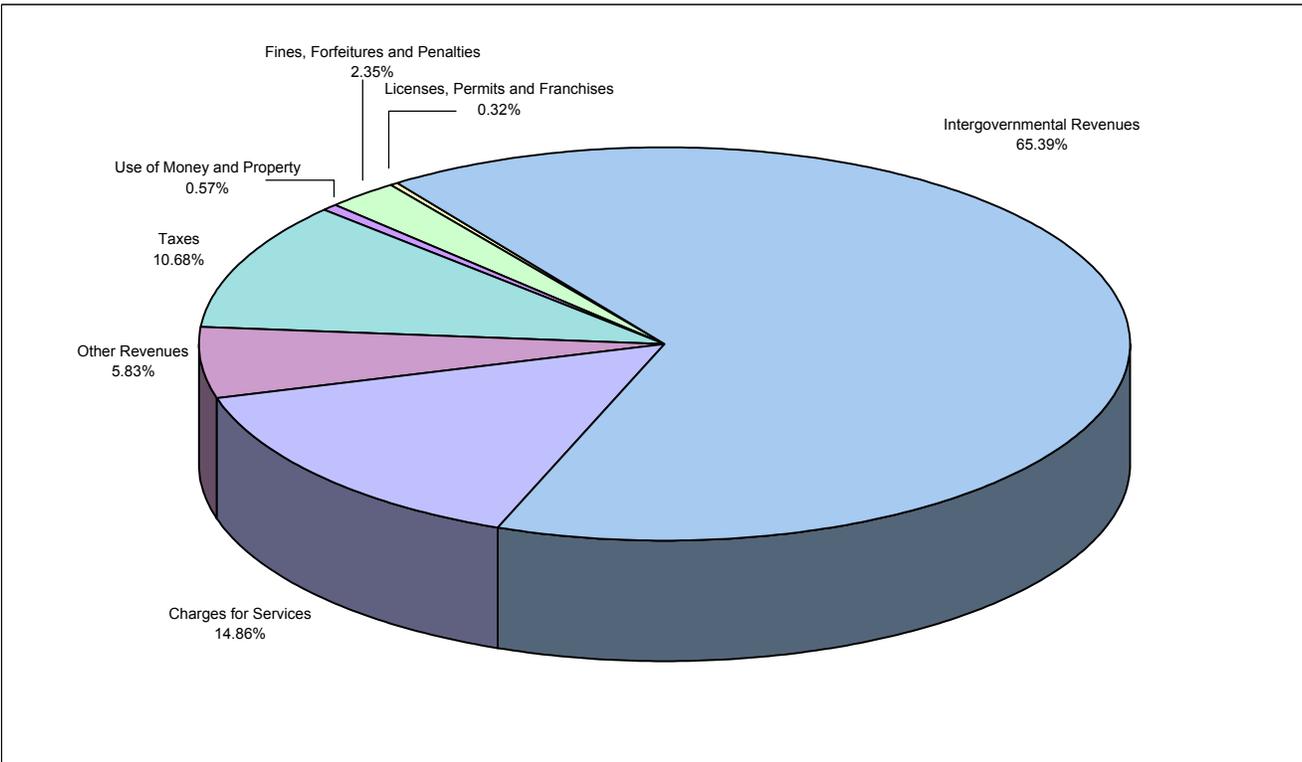
Statistical Section disclosures differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These schedules reflect social and economic data and financial trends of the County.

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
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
2002-03	221,223	6,649	48,623	11,859	--	1,355,112	307,929	120,723	2,072,118

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**

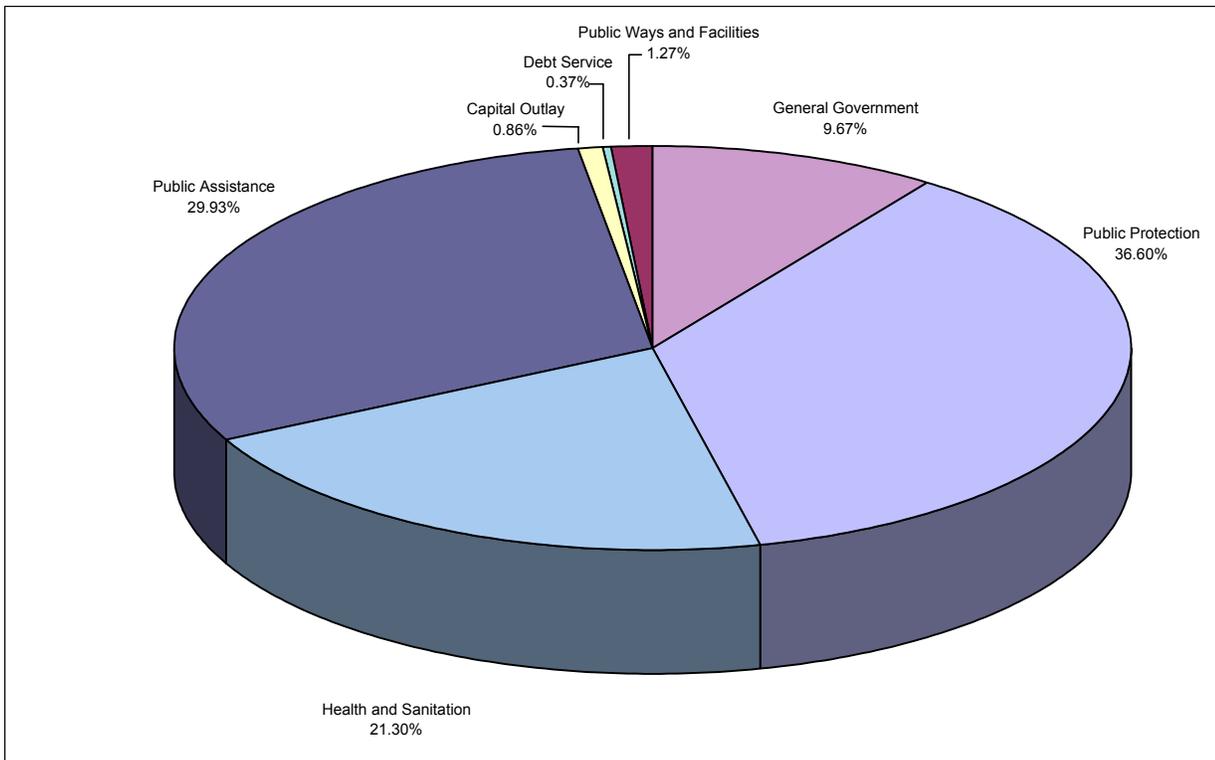


Source: Auditor-Controller, County of Orange.

**COUNTY OF ORANGE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL FUND
LAST TEN FISCAL YEARS
(Dollars In Thousands)**

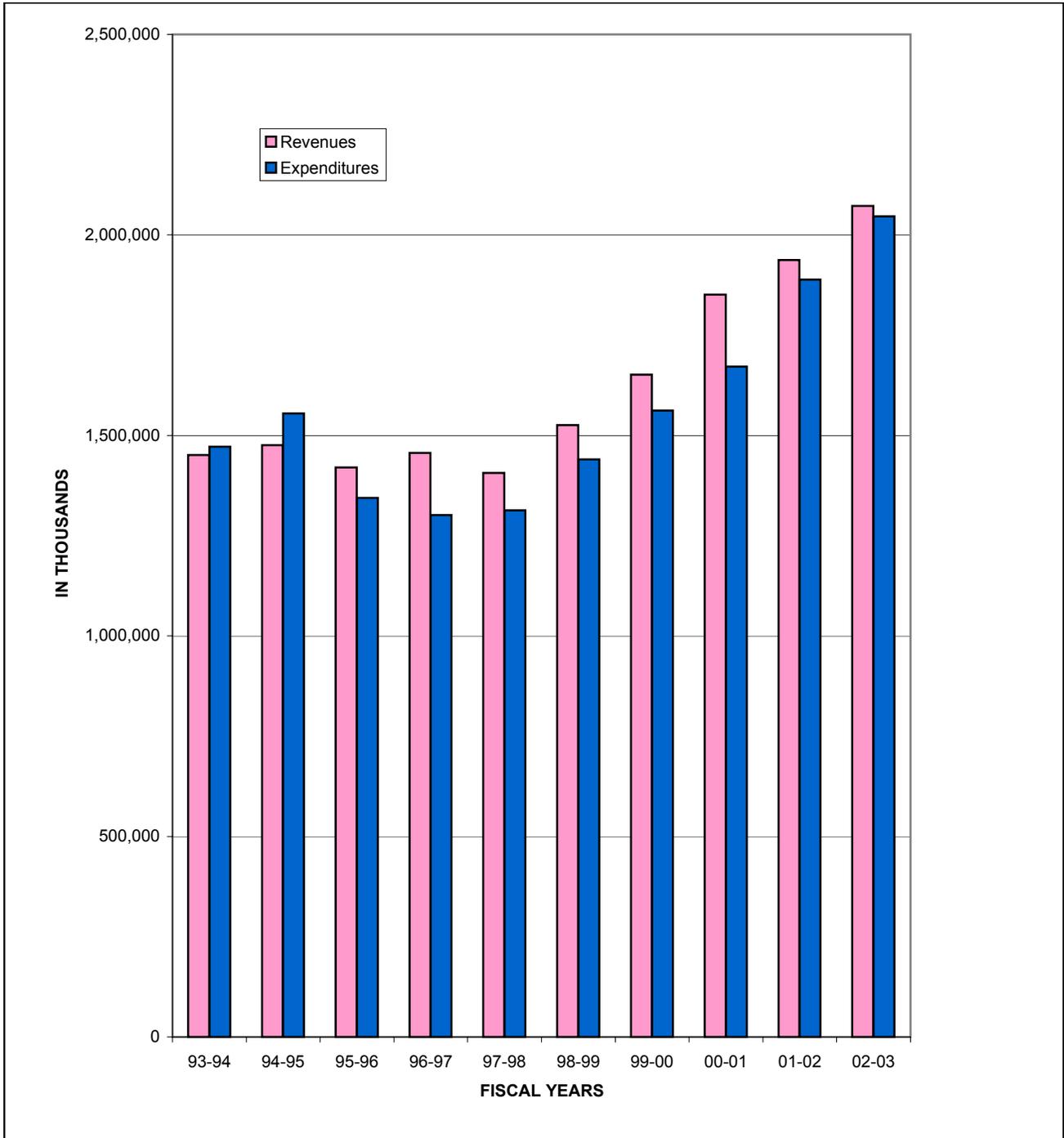
Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Capital Outlay	Debt Service	Total Expenditures
1993-94	\$ 178,026	\$ 502,269	\$ --	\$ 225,356	\$ 508,691	\$ 15,709	\$ 41,959	\$ 1,472,010
1994-95	126,065	514,340	--	222,733	533,194	22,935	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
2002-03	197,922	748,922	26,058	435,898	612,374	17,536	7,589	2,046,299

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2003**



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)**

<u>Fiscal Year</u>	<u>Secured Tax Levy</u>	<u>Unsecured Tax Levy</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections through June 30</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquency to Tax Levy</u>
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	1,540	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	1,943	1.49%
2002-03	131,089	7,227	138,316	136,151	2,165	1.57%

This schedule reflects delinquent taxes on a pre-teeter basis.

Source: Auditor-Controller, County of Orange.

COUNTY OF ORANGE
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Dollars In Thousands)

<u>Fiscal Year</u>	<u>Secured Assessed Value</u>	<u>Unsecured Assessed Value</u>	<u>Total Assessed Value</u>
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
2002-03	252,221,711	17,463,153	269,684,864

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
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
2004	1.00000	0.03274	0.00000	0.08402	1.11676

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, 2003
(Dollars In Thousands)**

(A) <u>Ten Largest Secured Taxpayers</u>	(B) <u>Type of Business</u>	(A) <u>Secured Taxes Paid</u>	<u>Percentage of Secured Taxes Paid to Total Secured Tax Collections (\$2,857,704) (A)</u>
The Irvine Company	Property Management and Development	\$ 43,395	1.52 %
Walt Disney World Company	Entertainment	26,352	0.92
Irvine Apartment Communities	Property Management and Development	18,644	0.65
Southern California Edison Company	Public Utility	13,955	0.49
SBC California	Public Utility	9,876	0.35
Walt Disney World	Entertainment	6,716	0.24
United Laguna Hills	Real Estate Development	5,403	0.19
Irvine Company of W VA	Real Estate Development	5,086	0.18
McDonnell Douglas Corporation	Aerospace	4,354	0.15
Irvine Community Development	Property Management and Development	4,103	0.14
		<u>\$ 137,884</u>	<u>4.83 %</u>

(A) <u>Ten Largest Unsecured Taxpayers</u>	(B) <u>Type of Business</u>	(A) <u>Unsecured Taxes Paid</u>	<u>Percentage of Unsecured Taxes Paid to Total Unsecured Tax Collections (\$172,674) (A)</u>
Cox Communications Orange	Cable Television	\$ 7,256	4.20 %
KBL Cablesystems of the South	Cable Communications	1,968	1.14
Gensia-Sicor Pharmaceutic	Pharmaceutic Industry	1,743	1.01
Continental Airlines Incorporated	Transportation	1,717	0.99
America West Airlines Incorporated	Transportation	1,508	0.87
Ralphs Grocery Corporation	Food Industry	1,507	0.87
American Airlines Incorporated	Transportation	1,506	0.87
IBM Credit LLC	Finance	1,426	0.83
Delta Air Lines Incorporated	Transportation	1,255	0.73
McDonnell Douglas Corporation	Aerospace	1,215	0.70
		<u>\$ 21,101</u>	<u>12.21 %</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
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
2002-03	2,979	269,684,864	--	--	--	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
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
2002-03	269,684,864	3,371,061	--	3,371,061

(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
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
2002-03	--	--	--	2,046,299	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, 2003
(Dollars In Thousands)

2002-03 Assessed Valuation	\$	269,684,864	(includes unitary utility valuation)
Redevelopment Incremental Valuation		22,421,686	
Adjusted Assessed Valuation	\$	<u>247,263,178</u>	

<u>Direct Tax, Assessment and Other Debt:</u>	<u>Applicable</u>	<u>June 30, 2003</u>
Orange County Teeter Plan Obligations (Direct Debt)	100.000 %	\$ 123,725 (a)
Orange County General Fund Obligations (Direct Debt)	100.000	975,189 (1)
Orange County Pension Obligations (Direct Debt)	100.000	<u>120,772 (1)</u>
Total Direct Tax, Assessment and Other Debt		1,219,686
<u>Overlapping Tax, Assessment and Other Debt</u>		
Metropolitan Water District	21.464 %	95,363 (a)
Coast Community College District	100.000	110,000 (a)
North Orange County Joint Community College District	97.354	135,322 (a)
Rancho Santiago Community College District	100.000	96,125 (a)
Unified School Districts	100.000	331,845 (a)
Anaheim Union High School District	100.000	92,000 (a)
Fullerton Joint Union High School District	90.329	34,323 (a)
School Districts	100.000	143,260 (a)
Irvine Ranch Water District Improvement Districts	100.000	241,195 (a)
Moulton-Niguel Water District Improvement Districts	100.000	63,020 (a)
Santa Margarita Water District Improvement Districts	100.000	229,440 (a)
Other Water Districts	100.000	11,995 (a)
Cities	100.000	33,755 (a)
Orange County Community Facilities Districts	100.000	613,290 (a)
Other Community Facilities Districts	100.000	1,027,292 (a)
City and Special District 1915 Act Bonds	100.000	860,030 (a)
County 1915 Act Bonds	100.000	141,767 (a)
Orange County Board of Education Certificates of Participation	100.000	19,980
Orange County Transit Authority	100.000	6,175
Municipal Water District of Orange Co. (MWDOC) Water Facilities Corporation	100.000	47,885
Orange County Sanitation District Certificates of Participation	100.000	156,075
Community College District Certificates of Participation	100.000	51,270
Unified School District Certificates of Participation	100.000	199,126
High School District Certificates of Participation	90.329-100.000	32,253
School District Certificates of Participation	100.000	27,345
Irvine Ranch Water District Certificates of Participation	100.000	50,800
Moulton-Niguel Water District Certificates of Participation	100.000	36,235
Other Special District General Fund Obligations	100.000	31,910
City of Anaheim General Fund Obligations	100.000	692,375
Other City General Fund Obligations	100.000	542,097
Total Gross Overlapping Tax, Assessment and Other Bonded Debt		<u>6,153,548</u>
Less:		
City of Seal Beach self-supporting bonds		20 (b)
Orange County Transit Authority (80% self-supporting)		4,940
MWDOC Water Facilities Corporation (100% self-supporting)		47,885
City of Anaheim self-supporting obligations (100% self-supporting)		583,862
Other city authority self-supporting bonds		<u>23,366</u>
Total Net Overlapping Tax, Assessment and Other Bonded Debt		<u>5,493,475</u>
Gross Combined Total Debt		<u>7,373,234 (2)</u>
Net Combined Total Direct and Overlapping Bonded Debt		<u>\$ 6,713,161</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, enterprise revenue, mortgage revenue, and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt	\$123,725	0.05 %
Total Gross Direct and Overlapping Tax and Assessment Debt	Σ of (a) = \$ 4,383,747	1.63 %
Total Net Direct and Overlapping Tax and Assessment Debt	Σ of (a) - (b) = \$ 4,383,727	1.63 %

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt	\$1,219,686	0.49 %
Gross Combined Total Debt		2.98 %
Net Combined Total Debt		2.71 %

State School Building Aid Repayable as of June 30, 2003: \$ 16,777

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	
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
2003	86,450	64,390	22,060	8,110	6,734	14,844	(5) 1.5

- (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) 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.
- (5) On May 29, 2003, the Airport Enterprise Fund refunded the outstanding 1993 revenue bonds by issuing \$48,680 in revenue bonds (2003 issue) and 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	
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
2003	115,766	75,127	40,639	3,905	3,674	7,579	5.4

(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)	
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	69,310	* 484	2.7	
2001	2,926	70,577	* 496	3.0	
2002	2,940	70,887	* 505	4.0	
2003	2,979	72,985	* 513	4.0	

* Median family incomes were adjusted to correspond with the actual data collected during the 2000 Census.

Sources:

- (A) County of Orange Population and Housing Estimates, California Department of Finance at January 1, 2003.
- (B) Economic & Business Review, Chapman University (estimates) June 2003.
- (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), *	(B) Total Bank Deposits	Calendar Year	(C)	(C)		(C) Total Construction Value
	Assessed Property Value			Non-Residential Construction	Residential Construction		
	Value			Value	Number of Units	Value	
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	44,329,066	2002	1,205,784	9,686	2,073,618	3,279,402
2002-03	269,684,864	50,113,000	2003	1,076,678	14,010	2,668,915	3,745,593

* These are assessed property values for property tax purposes. Taxable assessed values are stated at full cash value.

Sources:

(A) Auditor-Controller, County of Orange.

(B) Federal Research Library.

(C) The Chapman University " Economic & Business Review " (Forecasts) dated June 2003.

COUNTY OF ORANGE
POPULATION AND HOUSING STATISTICS
JUNE 30, 2003

	<u>Population by City, 2000 and 2003</u>			<u>Housing Units by City, 2000 and 2003</u>		
	(A)	(B)	Percent Change	(A)	(B)	Percent Change
	<u>2000</u>	<u>2003</u>		<u>2000</u>	<u>2003</u>	
Aliso Viejo	N/A (1)	43,879	N/A (1)	N/A (1)	17,666	N/A
Anaheim	328,014	337,440	2.87%	99,719	100,277	0.56%
Brea	35,410	37,962	7.21%	13,327	13,965	4.79%
Buena Park	78,282	80,617	2.98%	23,826	23,986	0.67%
Costa Mesa	108,724	111,512	2.56%	40,406	40,551	0.36%
Cypress	46,229	47,644	3.06%	16,028	16,145	0.73%
Dana Point	35,110	36,247	3.24%	15,682	15,824	0.91%
Fountain Valley	54,978	56,268	2.35%	18,473	18,479	0.03%
Fullerton	126,003	131,474	4.34%	44,771	45,537	1.71%
Garden Grove	165,196	169,911	2.85%	46,703	46,958	0.55%
Huntington Beach	189,594	196,954	3.88%	75,662	76,818	1.53%
Irvine	143,072	164,923	15.27%	53,711	60,627	12.88%
Laguna Beach	23,727	24,589	3.63%	12,965	13,132	1.29%
Laguna Hills	31,178	32,875	5.44%	11,303	11,137	(1.47%)
Laguna Niguel	61,891	65,092	5.17%	23,885	24,553	2.80%
Laguna Woods	16,507	18,208	10.30%	12,650	13,629	7.74%
La Habra	58,974	61,188	3.75%	19,441	19,718	1.42%
Lake Forest	58,707	77,332	31.73%	20,486	26,385	28.80%
La Palma	15,408	15,954	3.54%	5,066	5,126	1.18%
Los Alamitos	11,536	11,817	2.44%	4,329	4,337	0.18%
Mission Viejo	93,102	98,943	6.27%	32,985	34,278	3.92%
Newport Beach	70,032	79,987	14.21%	37,288	41,590	11.54%
Orange	128,821	134,523	4.43%	41,904	42,839	2.23%
Placentia	46,488	49,097	5.61%	15,326	15,822	3.24%
Rancho Santa Margarita	47,214	48,810	3.38%	16,515	16,684	1.02%
San Clemente	49,936	60,701	21.56%	20,653	24,558	18.91%
San Juan Capistrano	33,826	35,215	4.11%	11,320	11,522	1.78%
Santa Ana	337,977	347,237	2.74%	74,588	74,912	0.43%
Seal Beach	24,157	24,921	3.16%	14,267	14,370	0.72%
Stanton	37,403	38,411	2.69%	11,011	11,054	0.39%
Tustin	67,504	69,754	3.33%	25,501	25,745	0.96%
Villa Park	5,999	6,206	3.45%	2,008	2,030	1.10%
Westminster	88,207	90,643	2.76%	26,940	27,057	0.43%
Yorba Linda	58,918	62,678	6.38%	19,567	20,344	3.97%
Unincorporated	<u>168,165</u>	<u>109,804</u>	<u>(34.70%)</u>	<u>61,178</u>	<u>37,047</u>	<u>(39.44%)</u>
Total County	<u>2,846,289</u>	<u>2,978,816</u>	<u>4.66%</u>	<u>969,484</u>	<u>994,702</u>	<u>2.60%</u>

(1) Aliso Viejo was incorporated 7/1/01, County of Orange.

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, 2003

**COUNTY OF ORANGE
MISCELLANEOUS STATISTICS
JUNE 30, 2003**

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)	-	\$ 428,000	
Largest Crops (D)	-	Nursery Stock and Cut Flowers	\$ 232,095,556
		Strawberries	\$ 52,608,749
		Tomatoes	\$ 25,992,000
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	634,872
		Democrat	412,249
		Non-partisan	203,088
		American Independent	24,699
		Libertarian	9,366
		Green	7,167
		Peace and Freedom	3,482
		Natural Law	2,758
		Other parties	6,955
		Total Registered Voters	<u><u>1,304,636</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, July 23, 2003.
- (D) Public Facilities & Resources Department, County of Orange.
- (E) Orange County Department of Education.
- (F) Registration & Elections Department, County of Orange.