

# COUNTY OF ORANGE



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2004

David E. Sundstrom, CPA  
Auditor-Controller



# County of Orange

State of California

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2004



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Auditor-Controller

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# **Introductory Section**







**AUDITOR-CONTROLLER  
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**MAHESH N. PATEL**  
ASSISTANT AUDITOR-CONTROLLER  
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December 6, 2004

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California, for the fiscal year ended June 30, 2004, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with generally accepted accounting principles prescribed for governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of 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.

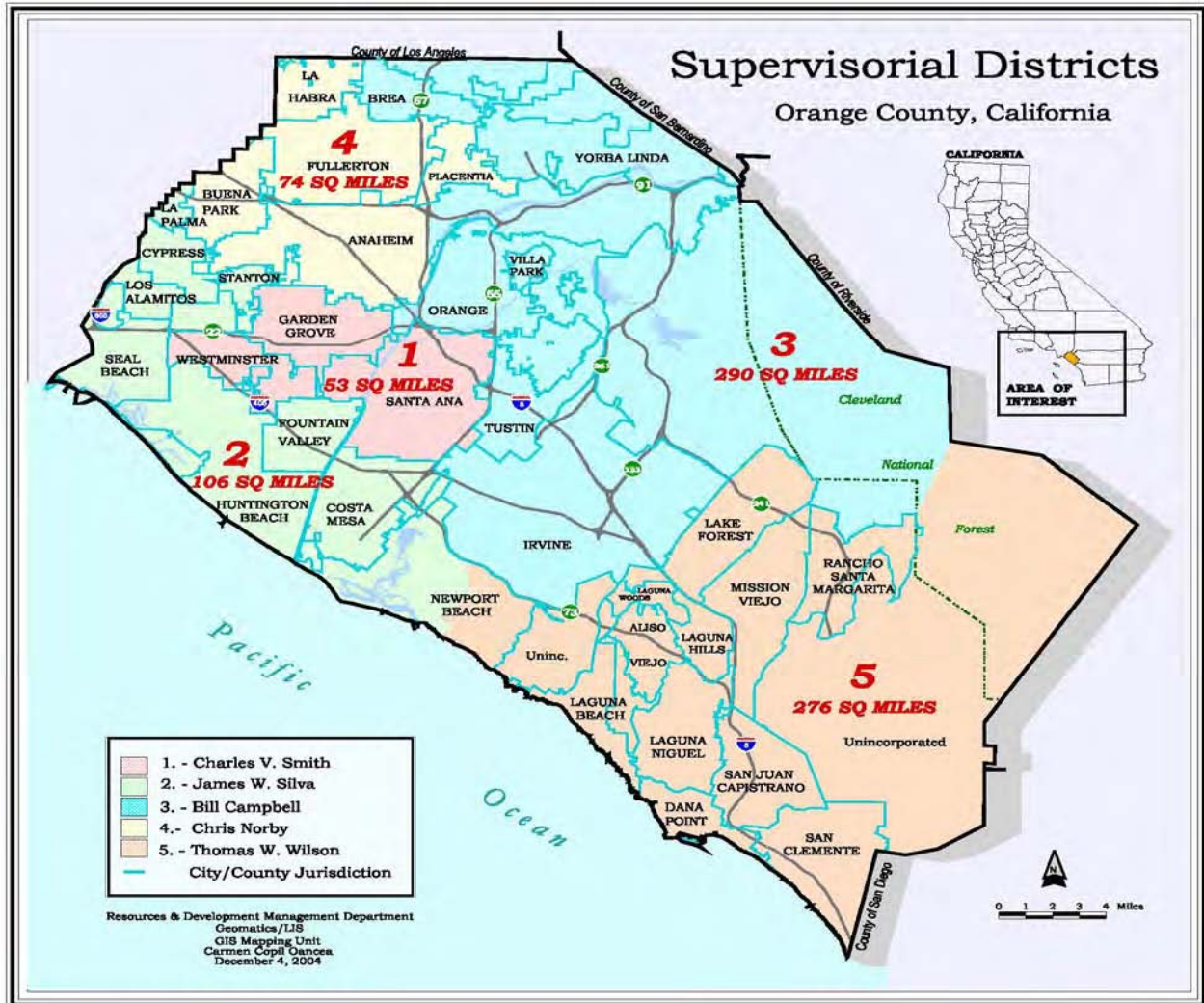
The CAFR was prepared to satisfy the financial reporting requirements for state and local governments issued by the Governmental Accounting Standards Board (GASB), specifically GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34), and subsequent related statements issued by GASB. GASB 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, 2004, 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, 2004, 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:

<b>Countywide Services</b>	
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	

<b>Unincorporated Area Services</b>	<b>Contract Services for Cities</b>
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, 2004: 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, In-Home Supportive Services Public Authority, 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, Capital Projects and Permanent funds are included in the annual appropriated budget. The level of budgetary control (that level which cannot be exceeded without action by the Board) is at the legal fund-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 Refunding Bonds & Recovery Certificates of Participation and Debt Prepayment and 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 418,870 visits are made to the Orange County web site each month and those visitors view over 1.9 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.

**FACTORS AFFECTING ECONOMIC CONDITION**

**Local Economy**

Two indicators of Orange County's economy are: (1) how well the local economy is performing relative to surrounding counties, the state and the nation (external indicators); and (2) how well the local economy is performing relative to its own historical trends (internal indicators). This section provides various external and internal indicators that describe the current and projected outlook of the Orange County economy.

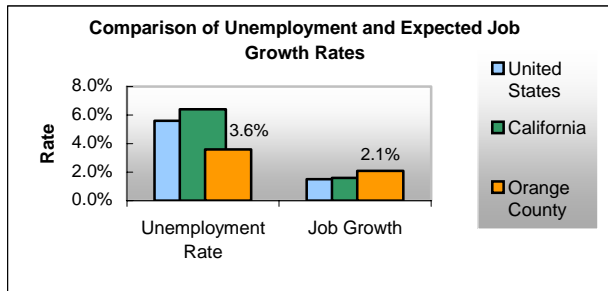
In terms of the external indicators, Orange County's economy routinely out-performs local surrounding counties, the state, and national economies (in annual percentage growth), and, in fact, ranks higher (in absolute dollars) than the economies of the majority of the countries in the world. Current external indicators show that despite the current sluggishness of the local economy, conditions in Orange County remain favorable relative to conditions in surrounding counties, the state and the nation.

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 (refer to Table 1).

Table 1: Unemployment Rate (June 2004) Comparison

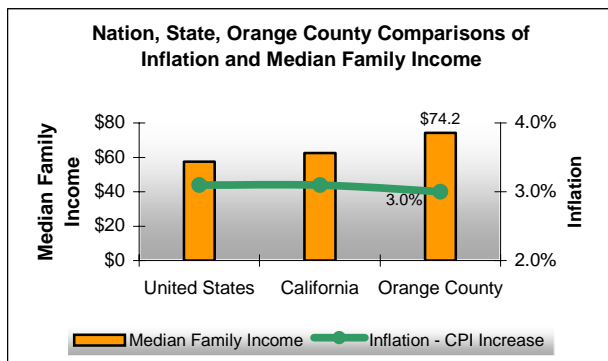
Primary Government Entity	Unemployment Rate (Percentage)
United States	5.6
California	6.4
Los Angeles County	6.9
<b>Orange County</b>	<b>3.6</b>
Riverside County	5.8
San Bernardino County	5.9
San Diego County	4.2





In addition, according to Chapman University, Orange County's job growth is expected to increase by 2.1% in 2005, resulting in 29,937 more jobs relative to 2004. This compares favorably, in percentage growth, with the State of California at 1.6% and the national level at 1.5% during the same time period.

Sources: State of California, Employment Development Department  
 Economic & Business Review, Chapman University, June 2004



Inflation, as measured by the Consumer Price Index (CPI), is expected to remain moderately low in Orange County and to be slightly lower than the CPI at the state and national levels in 2005. Chapman University projects an increase of the CPI at the national level, state level, and county level as stated in Table 2.

Table 2: Increase of the CPI (2004)

United States	California	Orange County
3.1%	3.1%	3.0%

Sources: Economic & Business Review, Chapman University, June 2004  
 U.S. Department of Housing and Urban Development, 2004

Median family incomes were adjusted ("re-benched") in 2003 by the U.S. Department of Housing and Urban Development (HUD) to comply with actual data collected during the 2000 Census. Orange County's adjusted HUD median family income is expected to be \$74.2 in 2004. Refer to Table 3 for comparison to other primary government entities.

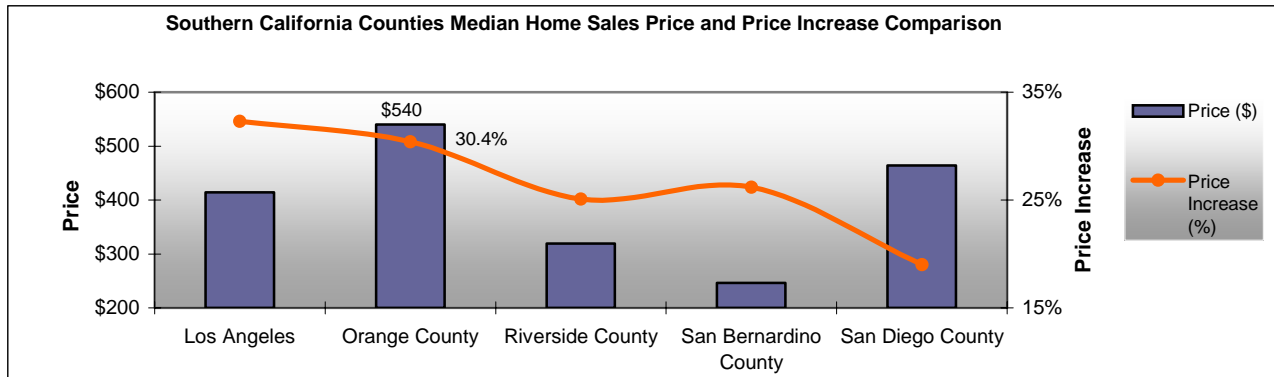
Table 3: Median Family Income Comparison (\$)

United States	57.5
California	62.5
Los Angeles County	52.5
<b>Orange County</b>	<b>74.2</b>
Riverside County	54.3
San Diego County	63.4

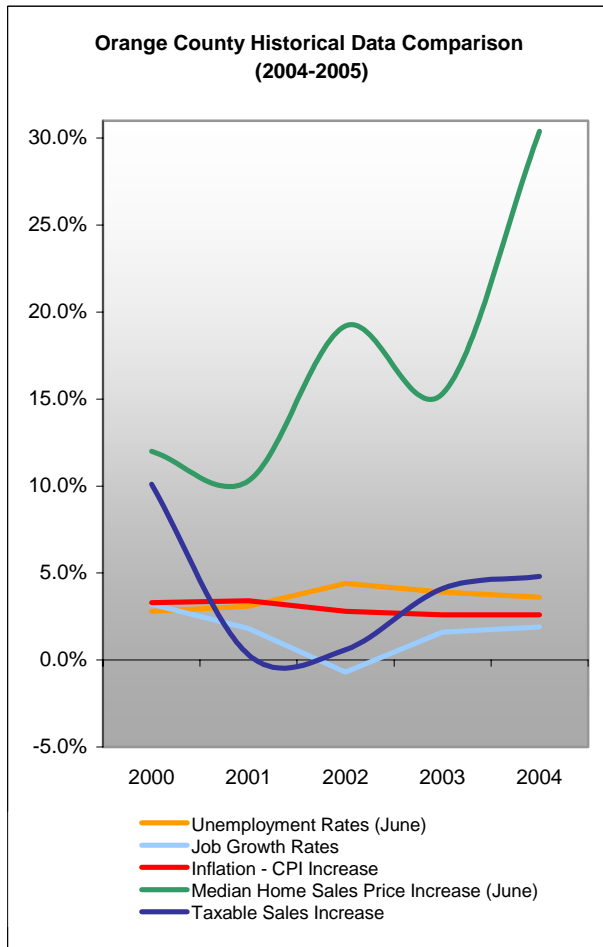
According to DataQuick Information Systems, in June 2004, the median home sales price for new and existing homes in Orange County increased by 30.4% (relative to June 2003) and reached \$540. Compared to the surrounding counties, the increase in Orange County was not the highest one (refer to Table 4). Annual housing appreciation in Orange County, although not as great as in surrounding Southern California counties, has been rapid, despite a recent downturn in the local housing market. Moreover, the median sales price in Orange County continues to exceed all surrounding Counties by a substantial amount (refer to Table 4). 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.

Table 4: Southern California Counties Median Home Sales Price Comparison

Primary Government Entity	Median Home Sales Price Increase (%)	Median Home Sales Price (\$)
Los Angeles	32.3	414
<b>Orange County</b>	<b>30.4</b>	<b>540</b>
Riverside County	25.1	319
San Bernardino County	26.2	246
San Diego County	19.0	464



Source: DataQuick Information Systems, June 2004



Sources: State of California, Employment Development Department  
Economic & Business Review, Chapman University, June 2004  
DataQuick Information Systems, June 2004

In terms of historical indicators, current and projected indicators suggest that the recovery of the Orange County economy will be slow but steady in 2005. Comparisons of Orange County's unemployment rates from January 2004 through June 2004 were consistently favorable at 3.6% in January and February, 3.7% in March, 3.4% in April, 3.3% in May, and 3.6% in June 2004. Historical point-in-time unemployment rates in Orange County during the month of June of 2000, 2001, 2002, and 2004 show favorable recent trends (refer to Table 5). Job growth in Orange County has been steadily recovering from 2000 to 2004 (refer to Table 5). The projected job growth in Orange County is 2.1% in 2005. Comparisons of Orange County's historical CPI trends from 2000 to 2004, again, are relatively favorable (refer to Table 5). It is projected to be 3.0% in 2005 by Chapman University. Year-to-year home sales price increases in Orange County for the month of June from 2000 to 2004 indicate housing affordability will continue to remain low. Taxable sales in Orange County increased from 2000 to 2004. It is expected to increase 4.9% in 2005, forecasted by Chapman University. This compares to an increase of 4.6% for the State of California.

Table 5: Orange County Historical Data (percentage)

Historical Indicators/Year	2000	2001	2002	2003	2004
Unemployment Rates	2.8	3.1	4.4	3.9	3.6
Job Growth Rates	3.2	1.8	-0.7	1.6	1.9
Inflation - CPI Increase	3.3	3.4	2.8	2.6	2.6
Median Home Sales Price Increase	1.2	10.3	19.2	15.3	30.4
Taxable Sales Increase	10.1	0.3	0.6	4.1	4.8

In summary, economic growth in Orange County continues to look favorable relative to surrounding counties, the State, and the nation. Moreover, projected trends suggest that the recovery of the local economy will be slow but steady during the balance of 2004 and throughout 2005. Chapman University issues economic forecasts twice each year in their Chapman Economic and Business Review; the next forecasts will be issued on December 8, 2004.

### **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 collaborative 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.

Because of the importance of beach recreation to Orange County's economy and quality of life, the County and cities are investing heavily in runoff reduction and treatment programs. At the same time, the County is leading a regional coalition to review and update the water quality standards that are used to determine whether beaches and streams are unsafe because of pollution.

### **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 prioritized 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.

Early Debt Payment Plan: Over the past several years, the Board of Supervisors has set aside money from time to time to be used to reduce bankruptcy-related debt. The County now has approximately \$116,181 set aside for that purpose. The first optional redemption opportunity will be with the Refunding Recovery Bonds 1995 Series A in June 2005. The Board directed staff to engage certain financing professionals and analyze the bankruptcy-related debt and make recommendations for the most effective use of the set-aside funds. The Board also directed staff to investigate any other options to reduce bankruptcy-related debt

through potential refinancing, use of other reserves, use of debt service reserves available as a result of lower bond covenant requirements, and any other options which may be available. County staff will report back to the Board in the early part of calendar year 2005 with recommendations on options for the reduction of bankruptcy-related debt.

Santa Ana River Mainstem Project: The County is involved in the Santa Ana River Mainstem Project ("Project"). The Project is a major flood control project implemented and funded by the Federal Government - U.S. Army ("Government") and three local sponsors – the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District.

The purpose of the Project is to prevent the devastating damage caused by large-scale flooding of the Santa Ana River flood plain that can occur on the average of once every 190 years. The Santa Ana River flood plain is considered by the U.S. Army Corps of Engineers (COE) to constitute the worst flood threat west of the Mississippi River in terms of impacts to the population and property. A component of the initial project has been redesignated as the Prado Dam Project, which is being implemented and funded by the Government and OCFCD only through a separate project cooperation agreement (PCA). The Project involves a combination of flood channel improvements and the constructing of new channels in Orange, San Bernardino and Riverside counties, construction of the new Seven Oaks Dam in San Bernardino county, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is \$1,400,000 with the OCFCD's cost share estimated to be \$413,000 for acquisition of real property rights, relocation (of roads, bridges, trails, and utilities), environmental mitigation, and cash contributions for construction. As of June 2004, the OCFCD has expended about \$232,000 on the Project. The construction of Seven Oaks Dam and most of the channel improvements in Riverside, San Bernardino and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) is complete. Construction to raise the Prado Dam embankments and install new outlet gates is underway. Construction of improvements and protection of SR 91 in the Santa Ana River Canyon is also underway. Several environmental mitigation studies and restoration and preservation projects are underway in all three counties. All property rights acquisition for the Seven Oaks Dam, along the lower SAR in Orange County up to Weir Canyon Road, are completed. Since approval of the PCA in February 2003, the OCFCD is actively acquiring property rights, subject to the availability of funding for the Project.

The Project has been authorized by the State Legislature for reimbursement of up to 70 percent of the local sponsors' expenses through the State Flood Control Subvention Fund, administered by the Department of Water Resources (DWR). To date, the OCFCD has submitted \$137,000 in claims and received \$121,000 in reimbursements. An additional \$25,000 in claims have been or are in the process of being prepared for submittal to the DWR. Once a claim is reviewed and approved by the DWR, 90 percent of the eligible expenditures can be paid if funds are available, with the remaining 10 percent paid after an audit by the State Controller's Office. 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.



At this time, the OCFCD will not have sufficient funds to meet its entire cost share obligation for the Project primarily due to the rapid escalation in real estate costs and due to relocations and mitigation expenses that were not initially or fully contemplated in the COE's estimates. Therefore, reimbursements on past expenses through the State Flood Control Subvention Program are critical for project completion.

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.

On May 4, 2004, the Board of Supervisors received the "County of Orange South Court Facility Program" and "County of Orange South Court Facility Master Plan" reports. The program option selected for further review and planning is for a 206,000 square foot courthouse to include 14 new courtrooms and the reuse of 4 existing courtrooms (18 total courtrooms). The project cost for the courtrooms and a parking structure are estimated to cost approximately \$78,800. Presently, staff of the County, Superior Court and the State Administrative Office of the Courts (AOC) are researching options for financing and constructing the project.

The Board authorized the design and environmental review to proceed concurrently with the analysis of the project financing and construction. The Schematic Design phase, estimated at \$1,400, is currently in process and scheduled for completion in June 2005. It is anticipated that the County's total funding commitment for South Court, including the aforementioned \$1,400 design cost, will not exceed \$29,400. The Strategic Financial Plan proposed a 30-year financing of the County's contribution. Since the financing options are under review, this proposal may be subject to future change.

### **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. California Government Code and the Treasurer's Investment Policy Statement (IPS) govern the investment of the County and Educational Pools.

The IPS is submitted annually to the Treasury Oversight Committee and the Board of Supervisors and authorizes investments in the following categories: U.S. Government securities, securities of federally sponsored agencies, domestic commercial paper, negotiable certificates of deposit, repurchase agreements, securities lending agreements, bankers acceptances, money market mutual funds, State of California or California Municipal debt, receivable-backed securities, and medium-term notes, funding agreements, and other "eligible securities" as defined under SEC Rule 2a-7 of the Investment Company Act of 1940. 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 (in absolute dollar amount), 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 in the Money Market Fund is thirteen months with the weighted average maturity limited to 90 days. The maximum term of any investment under the Extended Fund is three years, and the weighted average maturity is limited to 18 months. The Treasurer will determine, based on cash flow projections, the amount of money to invest in the Extended Fund.

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

The County's deposits are either insured by federal depository insurance or are collateralized with securities having a market value of at least 110 percent of the deposits in accordance with Section 53652 of the California Government Code. Collateral of 150 percent is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. Portfolio investments, other than money market mutual funds, are held by a third party custodian in the County's name and are classified in the category of lowest custodial credit risk as defined by the GASB.

At June 30, 2004, the weighted average maturity of the County Pool was 0.37 year and the Educational Pool was 0.32 year. The average daily investment balance of the County Pool and the Educational Pool amounted to \$2,640,000 and \$2,330,000, with an average effective yield of 1.27% and 1.20%, respectively, for the fiscal year ended June 30, 2004. 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 service funds are restricted to the payment of current and future costs. Actuarial studies are performed annually to determine the funding requirements for these activities.

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

### **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, 2003. 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.

In addition, the County issued its first Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2003. The County received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to be awarded, a government unit must publish a PAFR to reflect the program standards of creativity, presentation, understandability and reader appeal.

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,

David E. Sundstrom, CPA  
Auditor-Controller

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Orange,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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



President

Executive Director



**PRINCIPAL COUNTY OFFICIALS**

Elective Office (Other Than Judicial)

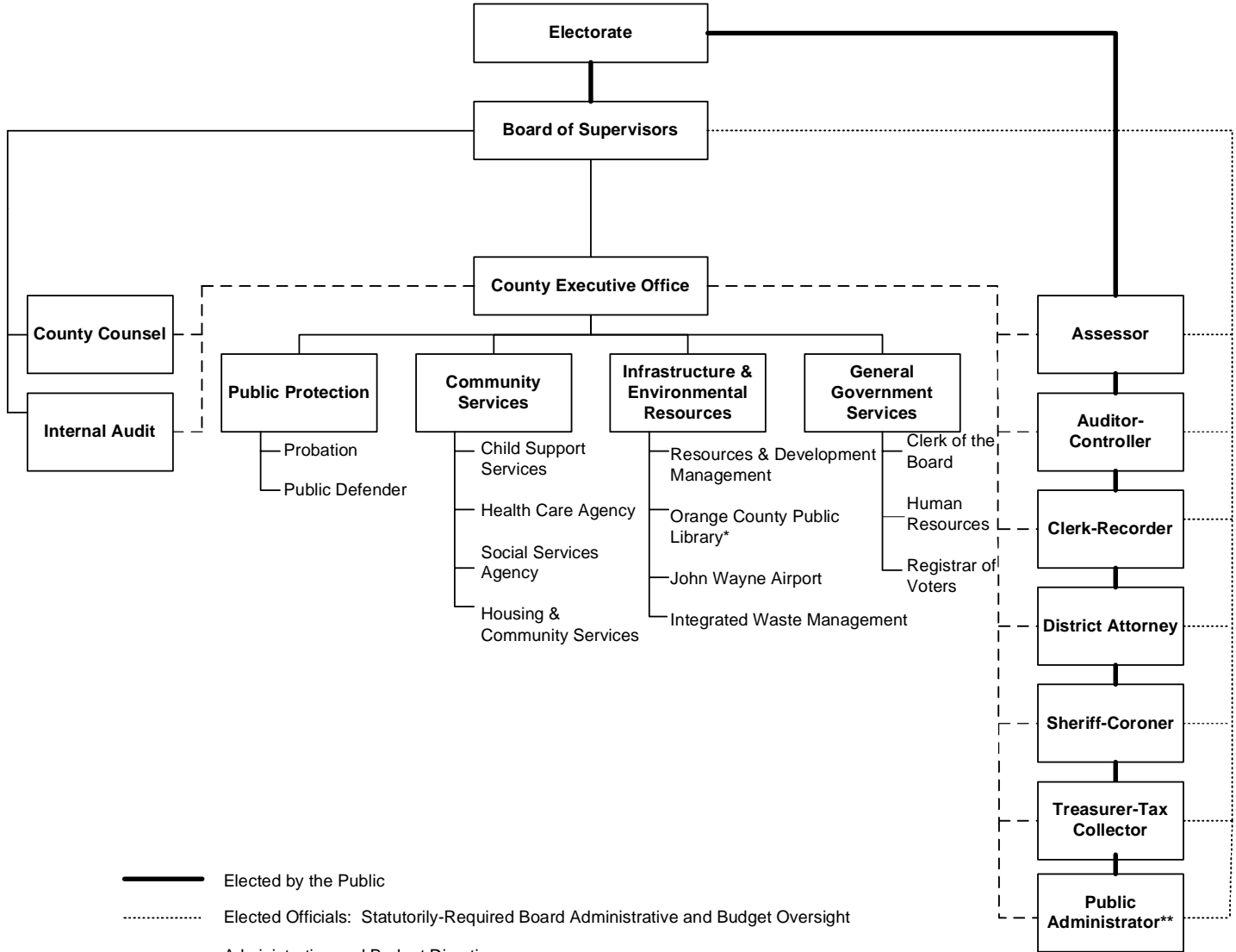
Office Holder

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

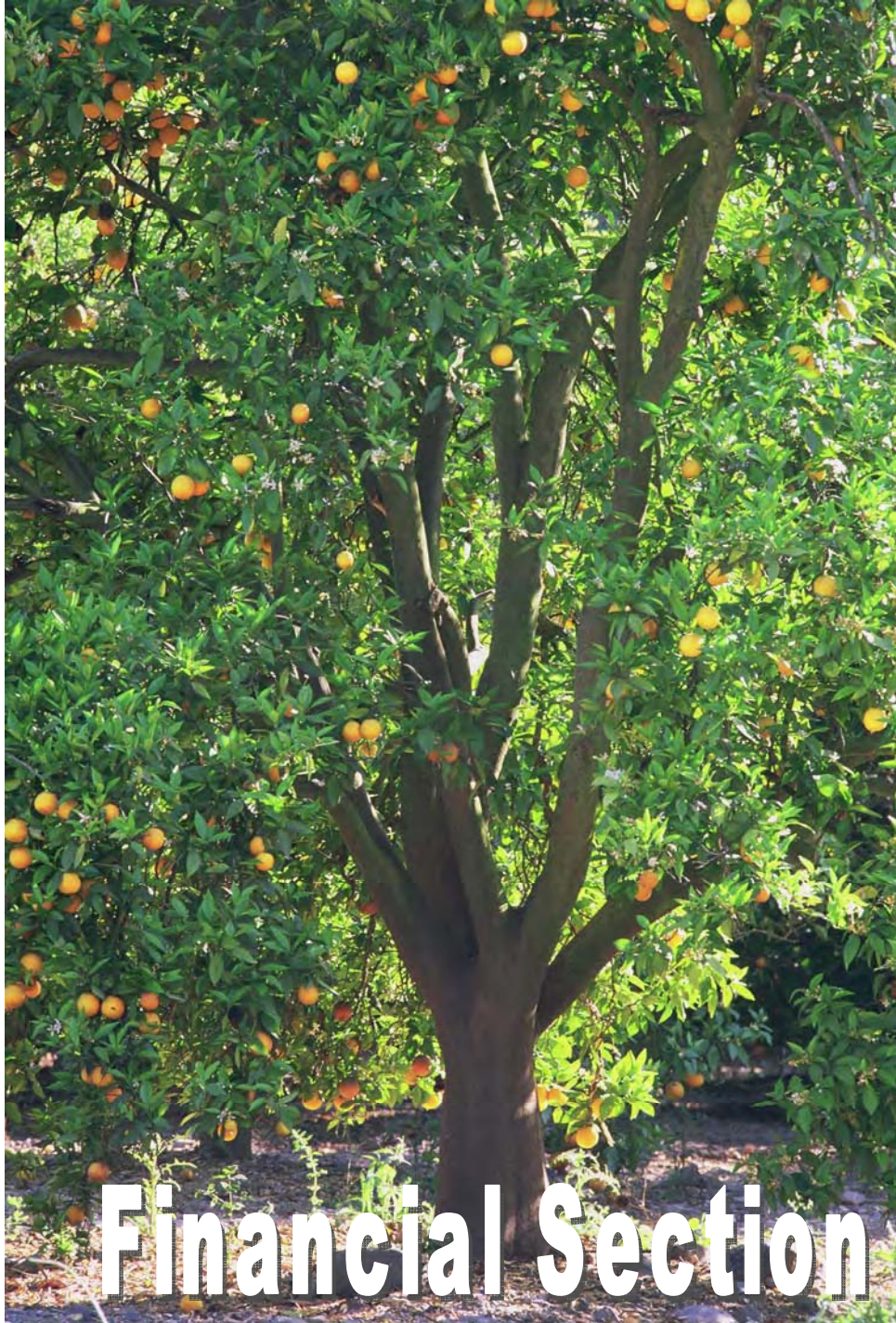
Clerk of the Board of Supervisors.....	Darlene J. Bloom
County Counsel.....	Benjamin P. de Mayo
County Executive Officer .....	James D. Ruth
Deputy CEO, Chief Financial Officer .....	Edward Corser
Deputy CEO, Infrastructure and Environment .....	Vicki L. Wilson
Deputy CEO, Government and Public Services .....	William D. Mahoney
Deputy CEO, Chief Information Officer .....	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 Department .....	Paula Burrier-Lund
Director of Human Resources .....	Marcel Turner
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 Resources & Development Management Department.....	Bryan G. Speegle
Agricultural Commissioner .....	Rick M. Le Feuvre
Director of Social Services Agency .....	Angelo R. Doti
Public Guardian.....	John S. Williams
Public Defender.....	Deborah A. Kwast
Registrar of Voters .....	Steven P. Rodermund

**ORGANIZATIONAL CHART**



- Elected by the Public
- - - - -** Elected Officials: Statutorily-Required Board Administrative and Budget Oversight
- Administrative and Budget Direction
- - - - -** Administrative Coordination and Budget Oversight
- \* Position is Appointed by the Board of Supervisors but Reports to the CEO
- \*\* Position reports to the Health Care Agency Director





# Financial Section







## MACIAS GINI & COMPANY<sup>LLP</sup>

515 S. Figueroa Street, Ste. 325  
Los Angeles, California 90071

213.612.0200 PHONE  
213.286.6426 FAX

### INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
County of Orange, California

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, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the basic financial statements, effective July 1, 2003, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 26 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

*Messer, Jini & Company LLP*

Certified Public Accountants

Los Angeles, California  
December 6, 2004





**Management's  
Discussion and Analysis**





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## 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, 2004. 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

- Total net assets increased by \$236,599, or 7% as compared to last year's.
- Long-term debt decreased by \$75,572, or 5% during the current fiscal year.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$1,840,106, an increase of \$25,824, or 1% in comparison with the prior year.
- At June 30, 2004, unreserved fund balance in the General Fund was \$123,979, or 5% of total FY 2003-04 expenditures and transfers of \$2,308,807.
- General Fund revenues and transfers ended the year 3% below budget.
- General Fund expenditures and transfers ended the year 11% below budget.

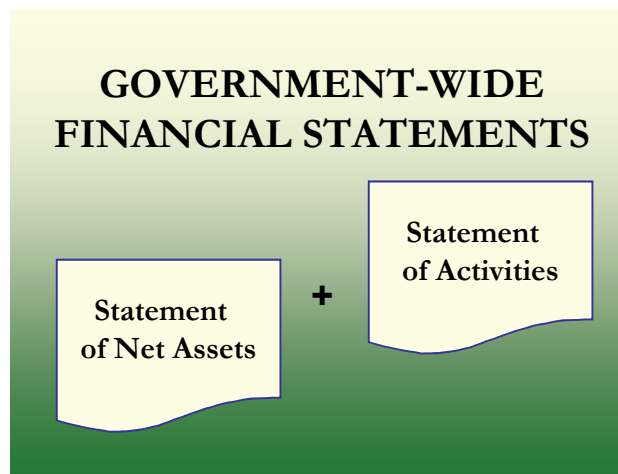
### OVERVIEW OF THE FINANCIAL STATEMENTS

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**

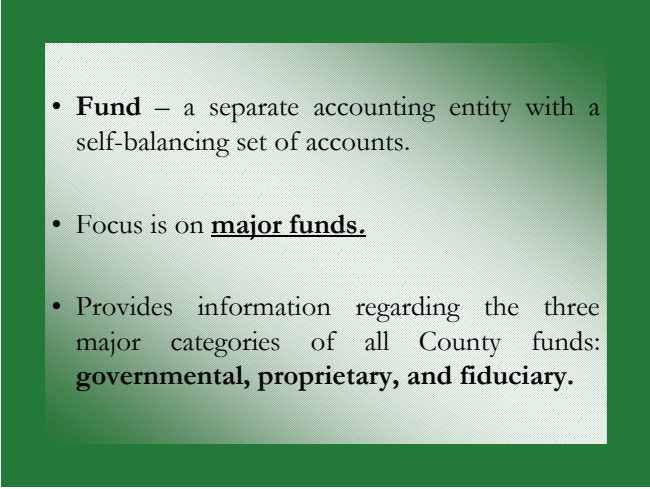
The government-wide financial statements consist of the following two financial statements: the Statement of Net Assets and the Statement of Activities. Both of these statements were prepared using accounting methods similar to those used by private-sector companies, the economic resources measurement 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 Children and Families Commission of Orange County, 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 2003-04, an increase of \$180,085 in net assets in the government-wide financial statements was reported, while an increase of \$25,824 in fund balance was 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 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 and schedules have been provided for these funds to demonstrate compliance with the budget.

**Proprietary funds** - The County maintains two different types of proprietary funds: Enterprise Funds and Internal Service Funds. **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport 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, 2004, the County's combined net assets (governmental and business-type activities) totaled \$3,601,348, an increase of 7% from FY 2002-03.

The largest component of the County's net assets (71%) 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.

\$1,307,541 of the County's net assets (36%) 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, 2004, governmental activities showed a negative amount of \$280,592 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.

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

**NET ASSETS – Primary Government**  
June 30, 2004  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>ASSETS</b>						
Current and other assets	\$ 2,635,324	\$ 2,552,793	\$ 555,986	\$ 524,901	\$ 3,191,310	\$ 3,077,694
Capital assets	2,320,885	2,271,150	499,987	489,045	2,820,872	2,760,195
<b>Total Assets</b>	<b>4,956,209</b>	<b>4,823,943</b>	<b>1,055,973</b>	<b>1,013,946</b>	<b>6,012,182</b>	<b>5,837,889</b>
<b>LIABILITIES</b>						
Long-term liabilities	1,650,412	1,677,495	363,678	382,780	2,014,090	2,060,275
Other liabilities	334,551	355,287	62,193	57,578	396,744	412,865
<b>Total Liabilities</b>	<b>1,984,963</b>	<b>2,032,782</b>	<b>425,871</b>	<b>440,358</b>	<b>2,410,834</b>	<b>2,473,140</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,259,064	2,183,152	315,335	293,959	2,574,399	2,477,111
Restricted	992,774	982,861	314,767	279,629	1,307,541	1,262,490
Unrestricted	(280,592)	(374,852)	--	--	(280,592)	(374,852)
<b>Total Net Assets</b>	<b>\$ 2,971,246</b>	<b>\$ 2,791,161</b>	<b>\$ 630,102</b>	<b>\$ 573,588</b>	<b>\$ 3,601,348</b>	<b>\$ 3,364,749</b>

**COMPONENTS OF NET ASSETS**

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

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

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, 2004  
 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 436,139	\$ 431,151	\$ 203,155	\$ 191,188	\$ 639,294	\$ 622,339
Operating Grants and Contributions	1,532,106	1,545,050	7,459	10,494	1,539,565	1,555,544
Capital Grants and Contributions	55,337	510,311	6,183	16,374	61,520	526,685
General Revenues:						
Property Taxes	342,412	303,436	--	--	342,412	303,436
Other Taxes	51,104	51,694	--	--	51,104	51,694
Grants and Contributions not Restricted to Specific Programs	11,969	22,707	--	--	11,969	22,707
State Allocation of Vehicle License Fees	189,732	178,446	--	--	189,732	178,446
Other General Revenues	69,776	64,453	965	537	70,741	64,990
<b>Total Revenues</b>	<b>2,688,575</b>	<b>3,107,248</b>	<b>217,762</b>	<b>218,593</b>	<b>2,906,337</b>	<b>3,325,841</b>
<b>EXPENSES</b>						
General Government	170,820	193,192	--	--	170,820	193,192
Public Protection	905,229	892,817	--	--	905,229	892,817
Public Ways and Facilities	78,454	74,561	--	--	78,454	74,561
Health and Sanitation	447,743	441,047	--	--	447,743	441,047
Public Assistance	731,698	740,794	--	--	731,698	740,794
Education	31,978	29,108	--	--	31,978	29,108
Recreation and Cultural Services	76,249	70,273	--	--	76,249	70,273
Interest on Long-Term Debt	78,474	53,853	--	--	78,474	53,853
Airport	--	--	78,235	75,770	78,235	75,770
Waste Management	--	--	70,858	79,217	70,858	79,217
<b>Total Expenses</b>	<b>2,520,645</b>	<b>2,495,645</b>	<b>149,093</b>	<b>154,987</b>	<b>2,669,738</b>	<b>2,650,632</b>
Excess (Deficit) before Transfers	167,930	611,603	68,669	63,606	236,599	675,209
Transfers	12,155	13,419	(12,155)	(13,419)	--	--
<b>Increase in Net Assets</b>	<b>180,085</b>	<b>625,022</b>	<b>56,514</b>	<b>50,187</b>	<b>236,599</b>	<b>675,209</b>
Net Assets - Beginning of the Year	2,791,161	2,166,139	573,588	523,401	3,364,749	2,689,540
<b>Net Assets - End of the Year</b>	<b>\$ 2,971,246</b>	<b>\$ 2,791,161</b>	<b>\$ 630,102</b>	<b>\$ 573,588</b>	<b>\$ 3,601,348</b>	<b>\$ 3,364,749</b>

As of June 30, 2004, the County's net assets increased by 7%, or \$236,599, during the current fiscal year. Revenues for the year totaled \$2,906,337, a decrease of \$419,504 from the previous year and expenses totaled \$2,669,738, an increase of \$19,106.



**Governmental Activities**

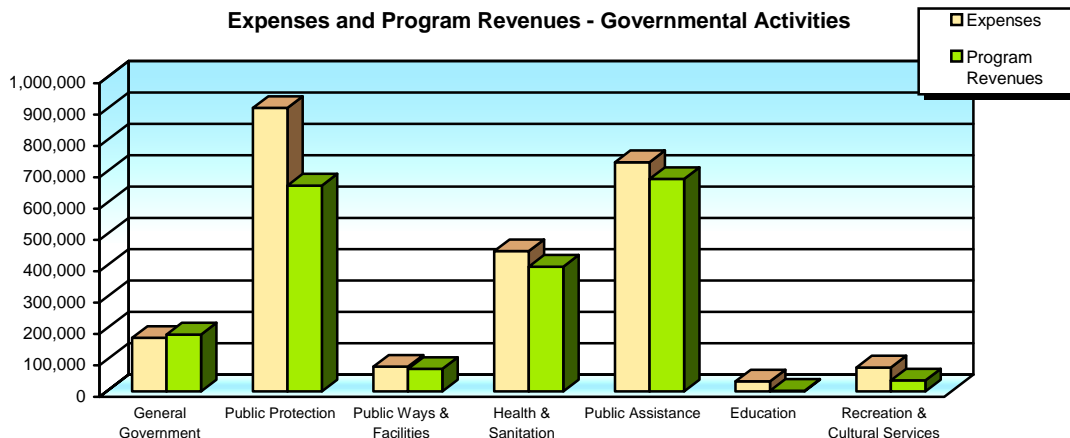
The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest revenue source for the County followed by Charges for Services. Operating Grants and Contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as the State and Federal revenues for public assistance and for health care. Charges for Services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include engineering services provided to cities under contract, park and recreation fees, and law enforcement services provided to governmental agencies under contract.

At the end of FY 2003-04, total revenues for the governmental activities, including transfers from the business-type activities were \$2,700,730, a decrease of \$419,937 from the previous year. Expenses totaled \$2,520,645, an increase of \$25,000 from the prior year. The majority of these expense increases were in the Public Protection and Interest on Long-Term Debt functions. While revenues decreased and expenses increased from the prior year, the current year's revenues still exceeded expenses, therefore, governmental activities increased the County's net assets by \$180,085, accounting for 76% of the total growth in the net assets of the County. Key elements of the increase are as follows:

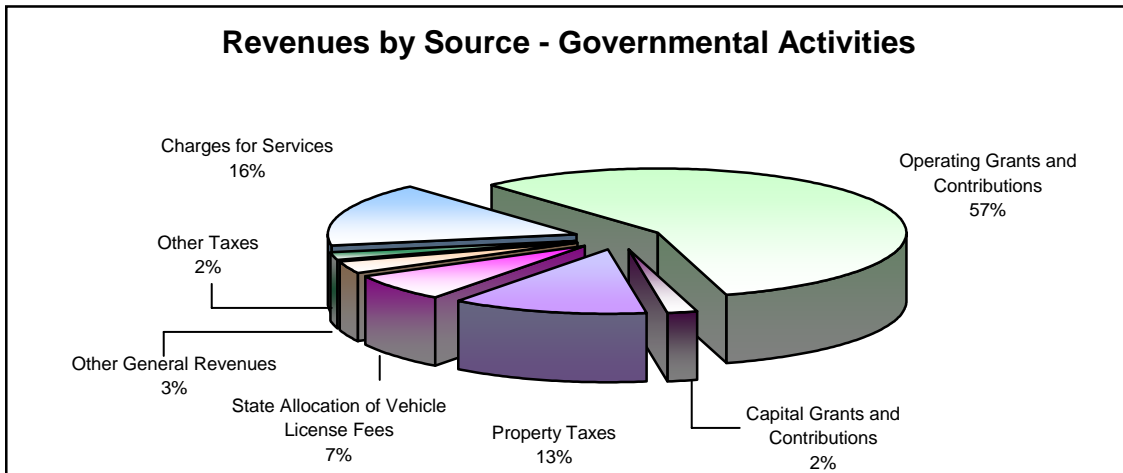
- Property taxes increased by \$38,976, or 13%, due to an increased number of home purchases as a result of low housing interest rates.
- State Allocation of Vehicle License Fees revenue increased by \$11,286, or 6%, due to the Motor Vehicle License Fee (VLF) backfill gap loan amount due from the State for FY 03-04.
- Charges for Services increased by \$4,988 due to an increase in reimbursement from the Ladera Ranch Community Facilities District (CFD) for the widening of Antonio Parkway.
- Capital Grants and Contributions decreased by \$454,974, mainly due to the one-time contribution of the Seven Oaks Dam from the US Army Corps of Engineers to the County in FY 2002-03.
- General Government expenses decreased by \$22,372, or 12%, primarily resulting from the disposition of capital assets reported in FY 2002-03 that no longer belong to the primary government.

In addition to the above, the County received \$4,000 of deferred pass-through tax incremental revenue from the City of Yorba Linda Redevelopment Agency. This is the first of three annual installment payments agreed to by the Yorba Linda Redevelopment Agency.

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

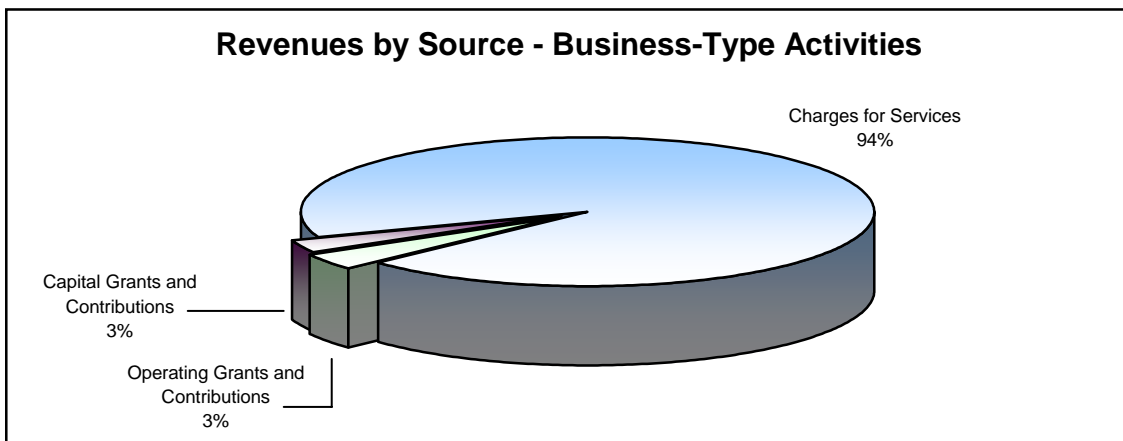


The chart below presents the percentage of total revenues by source for governmental activities.



### Business-Type Activities

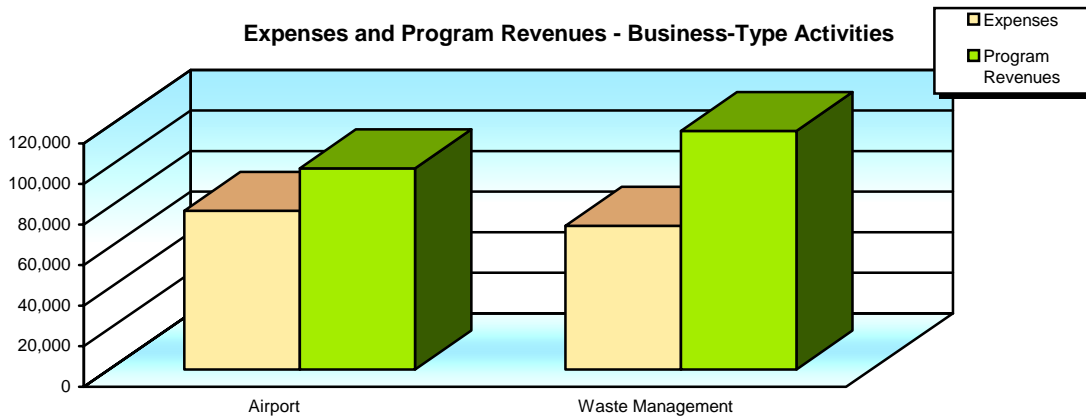
The County has two business-type activities: Airport and Waste Management. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported Charges for Services as their largest source of revenues. Operating Grants and 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 2003-04, business-type activities reported total revenues of \$217,764, a decrease of \$829 from the prior year. Expenses, including transfers to the governmental activities, totaled \$161,250, resulting in a decrease of \$7,156 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 2003-04, there was an increase of \$56,514 in net assets as compared to an increase of \$50,187 in FY 2002-03. Key elements for the increase are as follows:

- A \$4,611 increase in the amount of "in-county" solid waste disposed at the landfills.
- A \$6,875 increase in rents and concession from airline rent, parking, and lease concessions due to the increased number of passengers and level of travelers' activities in the airport.
- A \$10,912 decrease in landfill site closure/postclosure costs resulting from increased capacity at the Prima Deshecha Landfill.

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.

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At June 30, 2004, the County's governmental funds reported total fund balances of \$1,840,106 with an increase of \$25,824 in comparison with the prior year. Of the total fund balances for the governmental funds, \$746,660 (41%) constitutes *unreserved fund balances*.

A significant amount of these unreserved fund balances 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:

<u>Funds</u>	<u>Planned Uses of Unreserved Fund Balances</u>
General Fund	- Deferred maintenance projects at various County facilities, Americans with Disabilities Act (ADA) improvement projects, and seismic retrofit improvements at the County Central Garage.
Roads	- Construction and maintenance of roadways, and for specialized engineering services to other governmental units and the public.
Public Library	- Library services for the unincorporated areas as well as some of the incorporated areas within the County.
Tobacco Settlement	- Specified health care services and for public safety.
Refunding Bonds and Recovery Certificates of Participation (COPs) and Debt Prepayment	- Bond redemption when a cost effective opportunity to redeem debt is available.
Flood Control District	- 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	- 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.
Other Governmental	- 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 the governmental funds for the current and previous fiscal years.

**GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2004  
(In Thousands)

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2004	2003	2004	2003	2004	2003
General Fund	\$ 2,291,343	\$ 2,170,606	\$ 2,308,807	\$ 2,206,647	\$ (17,464)	\$ (36,041)
Roads	47,973	44,110	39,856	38,813	8,117	5,297
Public Library	29,156	32,936	32,471	32,679	(3,315)	257
Tobacco Settlement	31,375	36,249	41,858	35,548	(10,483)	701
Refunding Bonds and Recovery COPs & Debt Prepayment	102,998	130,681	98,045	92,163	4,953	38,518
Flood Control District	72,870	87,075	75,936	58,721	(3,066)	28,354
Harbors, Beaches, and Parks	71,207	73,188	71,218	71,447	(11)	1,741
Other Governmental	476,960	445,297	429,867	388,984	47,093	56,313
<b>Total</b>	<b>\$ 3,123,882</b>	<b>\$ 3,020,142</b>	<b>\$ 3,098,058</b>	<b>\$ 2,925,002</b>	<b>\$ 25,824</b>	<b>\$ 95,140</b>

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 change in fund balance.

**General Fund**

The General Fund is the chief operating fund of the County. At the end of FY 2003-04, there was a decrease in fund balance of \$17,464. The decrease in fund balance can largely be attributed to higher Salaries and Employee Benefits (S&EB). Specifically, retirement costs increased by \$41,320, regular salaries increased by \$18,000, and health care insurance costs increased by \$17,870. The decrease to fund balance caused by the increased retirement costs would have been even greater had the County not been able to use its Investment Account with the Orange County Employees Retirement System (OCERS) to fund a portion of its Annual Required Contribution (ARC). Refer to Note 18 for more information on the OCERS Investment Account.

While expenses for the General Fund increased, revenues from the State for Motor Vehicle License Fees (VLF) and Mandated Costs declined due to the State deferring payments to the County. For FY 03-04, the State deferred \$26,506 for VLF and \$30,485 for Mandated Costs. Furthermore, included in the preceding schedule of Revenues and Other Financing Sources were increased transfers from various Special Revenue Funds. The Designated Special Revenue Fund, a fund that was established to provide cash for interfund cash flow loans and to fund strategic priorities identified in the County's Strategic Financial Plan, transferred \$29,700 to finance County operations. The Public Safety Sales Tax Excess Revenue fund, a fund used to place surplus Public Safety Sales Tax revenues to meet future public protection needs, increased its transfer by \$8,464 over the previous year to the Sheriff Department to balance their base budget. Without the increased transfers, fund balance would have shown an even greater decline.



#### 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 2003-04, there was an increase in fund balance of \$8,117. In addition to the discussion in the Government-Wide Financial Analysis for Charges for Services, the increase is also due to a \$1,006 reimbursement from the Flood Control District for additional 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. There was a \$3,315 decrease to fund balance this fiscal year. The Public Library Fund had a decrease of \$4,999 in developer fee revenues, since there were no new construction projects in FY 2003-04 and a one-time contribution of \$1,425 to the City of Newport Beach for the annexation of Newport Coast.

#### Tobacco Settlement

This fund accounts for tobacco settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. At the end of FY 2003-04, there was a decrease in fund balance of \$10,483 that can be primarily attributed to a \$12,100 increase in expenditures for the Theo Lacy Jail capital project as well as a \$5,546 reduction in revenues received from the State's 1998 Multi-State Settlement Agreement (MSA).

#### Refunding Recovery Bonds and Recovery Certificates of Participation and Debt Prepayment

This fund accounts for the debt service transactions handled by the trustee bank for the Orange County 1995 Refunding Recovery Bonds and the 1996 Recovery Certificates of Participation. This fund also accounts for early debt reduction of the County's outstanding bonds. At the end of FY 2003-04, there was an increase in fund balance of \$4,953. The increase is due primarily to an increase in the amount of VLF funds received from the State Controller to pay for the Recovery Bonds. In comparison to the prior year, the change in fund balance decreased by \$33,565 due to a transfer to the Debt Prepayment Fund in FY 2002-03, resulting from a change in funding source for the Theo Lacy Jail Expansion Project and a programmed transfer planned in the Strategic Financial Plan.

#### Flood Control District

This fund accounts for the planning, construction and operation of flood control and water conservation works, such as dams, basins, and trunk channels, and for the retardation, conservation and controlled discharge of storm waters. At the end of FY 2003-04, there was a decrease in fund balance of \$3,066. The following is a brief summary of the primary reasons for the net decrease in fund balance for the Flood Control District in FY 2003-04 as compared to the prior year:

- An \$18,016 decrease in revenue due to a reduction in subvention revenue from the State.
- A \$1,240 decrease in revenues due to the downward trend of interest rates.
- An \$8,570 increase in charges by the Army Corps of Engineers associated with the construction of the Prado Dam.

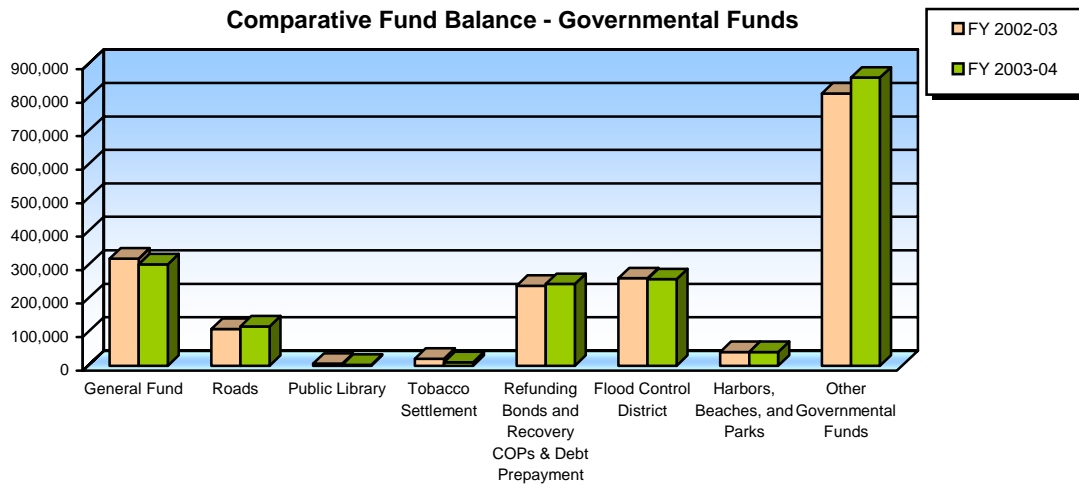
#### Harbors, Beaches and Parks

This fund accounts for the development of aquatic recreational facilities and the acquisition, operation and maintenance of County beaches, inland regional park recreational facilities and community park sites in the unincorporated areas. At the end of FY 2003-04, there was only a small decrease in fund balance of \$11 as compared to a decrease of \$1,751 in FY 2002-03. This decrease resulted from the final installment payment received by the County for the purchase of the Barham Ranch Property in FY 2002-03.

**Other Governmental Funds**

At the end of FY 2003-04, there was an increase in fund balance of \$47,093. Revenues increased primarily due to the issuance of Tax Allocation Refunding Bonds Santa Ana Heights Project (SAHP) Area by the Orange County Development Agency (OCDA) and two new Special Revenue Funds that were created in the Health Care Agency (HCA). Expenditures decreased due to fewer capital expenditures in FY 2003-04.

The following chart shows the net change in fund balance for governmental funds for the current and previous fiscal year.



**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, 2004  
(In Thousands)

	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets	
	2004	2003	2004	2003	2004	2003
Airport	\$ 99,776	\$ 101,314	\$ 76,932	\$ 74,712	\$ 22,844	\$ 26,602
Waste Management	118,026	117,265	82,956	92,524	35,070	24,741
<b>Total</b>	<b>\$ 217,802</b>	<b>\$ 218,579</b>	<b>\$ 159,888</b>	<b>\$ 167,236</b>	<b>\$ 57,914</b>	<b>\$ 51,343</b>

#### 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 2003-04, there was an increase in fund net assets of \$22,844 that can be attributed to the following factors:

- A \$6,875 increase in rents and concession from airline rent, parking, and lease concessions due to the increased number of passengers and level of travelers' activities at the airport.
- A \$1,334 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.

In comparison to the prior year, there was a decrease in fund net assets of \$3,758 due to a decrease of \$8,825 in capital contributions from the Federal Aviation Administration (FAA) and an increase of \$2,211 in professional services as a result of additional services incurred in FY 2003-04 to evaluate the feasibility of expansion alternatives.

#### 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 2003-04, there was an increase in fund net assets of \$35,070 compared to the prior year change of \$24,741 due to the following factors:

- A \$4,611 increase in charges for services due to an increase in the amount of "in-county" tonnage disposed at the landfills.
- A \$10,912 decrease in the closure and postclosure costs due to an increase of available capacity at the Prima Deshecha Landfill.
- A \$1,209 decrease in transfers to the General Fund due to a decrease of imported (out-of-county) solid waste disposed at the landfills.

### **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 increase in the General Fund final amended budget revenues compared to the original budget revenues:

#### Intergovernmental Revenues:

- An increased revenue budget in Sheriff-Coroner of \$11,334 for additional one-time grants, including the State Domestic Preparedness Grant, Homeland Security Grants and the Federal Bureau of Investigations and Joint Terrorism Task Force (FBI/JTTF) Reimbursement Agreement.
- An increase of \$10,473 in budgeted revenues in the Social Services Agency to reconcile actual allocations for the following programs: In-Home Supportive Services, Child Welfare Services, California Work Opportunities and Responsibility to Kids (CalWORKS), Medi-Cal, Foster Care and Adult Protective Services.
- A \$9,550 decrease in revenues in the County General Fund due to a reduction in VLF revenues from the State.

#### Transfers In:

- An increase of \$3,850 in the Watershed Management Program to ensure that the Net County Cost (NCC) target set by County Executive Office (CEO) would be met.
- An increase of \$13,453 in the Health Care Agency (HCA) to allow for operating transfers from various health related Special Revenue funds.

- A \$9,940 increase in the Sheriff-Coroner Department revenue budget for new positions, a new helicopter, information systems, and capital projects.

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

Capital Projects:

Budget appropriations decreased by \$10,114 due to the accelerated project schedule of the 60 Bed Expansion of Juvenile Hall that was encumbered in FY 2002-03.

Sheriff-Coroner:

A \$20,810 increase was appropriated to fund the annual transfer to the Public Safety Sales Tax Excess Revenue Fund pursuant to Proposition 172, a voter-approved measure passed in 1994 establishing a ½ percent (0.5%) sales tax on an ongoing basis for local public safety programs.

Social Services Agency:

An increase of \$13,046 to reflect the impacts of the final state budget for the following programs: In-Home Supportive Services, Child Welfare Services, CalWORKS, Medi-Cal, Foster Care and Adult Protective Services.

Provision for Contingencies:

An increase of \$22,917 because the County increased appropriations for contingencies due to the uncertainties surrounding the VLF revenue from the State and the costs of the special recall election.

**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:

Other Revenues:

- A \$6,330 negative variance in the Miscellaneous Agency due to a late implementation date of the FY 2003-04 retirement rates for County agencies and the Superior Court.
- A \$2,680 negative variance in the HCA because an anticipated one-time revenue did not materialize.
- A \$2,150 negative variance in the Aid to Families with Dependent Children (AFDC) – Foster Care because child support revenues were less than projected.

Charges for Services:

- A negative variance of \$7,179 in the Watershed Management Program for the National Pollutant Discharge Elimination System (NPDES) that was budgeted in "Charges for Service" but was recorded in account "Intergovernmental Revenues."
- A negative variance of \$8,475 in HCA due to lower than budgeted receipts of Medi-Cal based on reduced eligible expenditures in salaries, employee benefits, and contracted services.
- A negative variance of \$6,340 in the Resources and Development Management Department (RDMD) caused by the cancellation of the Orange County Red Imported Fire Ant Program.

Taxes:

- A positive variance of \$10,051 in Property Taxes due to higher than estimated housing sales caused by historically low interest rates.

Transfers In:

- A negative variance of \$20,319 in HCA because transfers from Tobacco Settlement Revenue (TSR) Fund, Medi-Cal Administrative Activities/Targeted Case Management (MAA/TCM), and HCA Special Revenue Funds were lower than budgeted.

- A negative variance of \$6,070 in the Sheriff-Coroner's budget due to decreased funding for information systems and capital projects not completed in FY 2003-04 and for Mobile Data Computers (MDC) and Switcher Fees that were re-budgeted in FY 2003-04.
- A \$15,053 negative variance in transfers from the Real Estate Development Program Fund because planned sales of assets were not made.

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

Miscellaneous:

A positive variance of \$29,252 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.

Watershed Management Program:

An \$8,581 positive variance due to lower than anticipated expenditures for the NPDES program, consulting contracts and the deferral of two budgeted capital projects.

Capital Projects:

A \$19,698 positive variance due to unfinished capital projects, including energy efficiency projects, maintenance and repair projects and the Youth Leadership Academy at Juvenile Hall, all of which were re-budgeted in FY 2004-05.

Health Care Agency:

- A positive variance of \$7,842 due to savings from the County-wide hiring freeze, reduced use of extra help employees, employees taking time off rather than selecting a Performance Incentive Program (PIP) payoff and lower group insurance rates than anticipated.
- A \$38,117 positive variance due to lower than budgeted costs in TSR funded projects, Medi-Cal funded agreements, and Proposition 36 funded agreements, a voter-approved measure passed in 2000 that allows first and second time non-violent, simple drug possession offenders the opportunity to receive substance abuse treatment instead of incarceration.

Sheriff-Coroner:

Of the total \$15,702 variance, a positive variance of \$3,064 is due to lower than anticipated expenditures, deleted positions based on Blue Ribbon Committee recommendations, and the deferral of some capital projects that were re-budgeted in FY 2004-05.

Social Services Agency:

Of the total \$28,967 variance, a positive variance of \$16,338 is due to lower than anticipated costs related to salaries and benefits, office expense, professional and specialized services, and CalWorks, In-Home Supportive Services, and Child Welfare Services.

Aid to Families with Dependent Children (AFDC) – Foster Care

A \$17,079 positive variance due to lower than projected Foster Care caseloads and costs per case due to placement of children in less costly, more family-like placements.

Resources and Development Management Division:

Of the total \$19,184 variance, a \$5,492 positive variance is due to reduced spending on professional service contracts as a result of the cancellation of the Red Imported Fire Ant Program and the cancellation or deferral of projects to FY 2004-05.



Provision for Contingencies:

A positive variance of \$27,917 occurred because the County increased appropriations for contingencies due to the uncertainties surrounding the VLF revenue from the State and the costs of the special recall election but these additional appropriations were ultimately not required to be spent.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2004, the County's capital assets for both the governmental and business-type activities amounted to \$2,820,872 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 2% (a 2% increase for governmental activities and a 2% 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, 2004  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2004	2003	2004	2003	2004	2003	% Change
Land	\$ 481,048	\$ 475,695	\$ 34,108	\$ 34,108	\$ 515,156	\$ 509,803	1%
Structures and Improvements	501,778	463,557	196,110	178,563	697,888	642,120	9%
Equipment	102,418	108,691	24,422	24,607	126,840	133,298	(5)%
Infrastructure	817,294	833,461	182,510	189,733	999,804	1,023,194	(2)%
Construction in Progress	418,347	389,746	62,837	62,034	481,184	451,780	7%
<b>Total</b>	<b>\$ 2,320,885</b>	<b>\$ 2,271,150</b>	<b>\$ 499,987</b>	<b>\$ 489,045</b>	<b>\$ 2,820,872</b>	<b>\$ 2,760,195</b>	<b>2%</b>

The following lists the significant expenditures for capital assets in FY 2003-04:

- \$13,578 for the construction of the Theo Lacy Jail Expansion Project (Building B).
- \$9,594 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).
- \$9,318 for the construction of an equipment maintenance facility at the Frank R. Bowerman Landfill.
- \$5,909 for the construction of housing unit "Q" at Juvenile Hall, which will increase the capacity by 60 beds.
- \$5,919 for the mass excavation project at the Prima Deshecha Landfill.
- \$4,268 for structural security modifications at John Wayne Airport (JWA).
- \$3,088 for the remodeling of Fire Station #33 at JWA.
- \$2,859 for the construction of the easterly side of the Huntington Beach Channel that runs from Atlanta to Indianapolis.
- \$2,676 for the purchase of MDC systems for the Sheriff Department.
- \$1,845 for the rehabilitation of floors nine through eleven of the Central Justice Center, including the replacement of ceiling, lighting, heating and air-conditioning systems and asbestos removal.

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- \$1,389 for the construction of the Youth Leadership Academy at Juvenile Hall, which will increase the capacity by 120 beds for a new Youth Leadership Program.

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 2003-04, significant commitments for capital expenditures include the following:

- \$181,000 for the Santa Ana River (SAR) Mainstream Project.
- \$18,721 for the construction of Laguna Canyon Road, State Route 73 to Interstate 405.
- \$15,009 for replacement of three existing housing units at the Juvenile Hall.
- \$8,048 for flood control channel projects.
- \$6,730 for the remodeling of Fire Station #33 at JWA.

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, 2004, the County had a total debt obligation outstanding of \$1,415,861, excluding capital lease obligations, compensated absences and other liabilities. During the year, \$115,585 of the bonds were retired, while \$38,465 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, 2004:

#### LONG-TERM DEBT BOND OBLIGATIONS

June 30, 2004  
 (In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease) % Change
	2004	2003	2004	2003	2004	2003	
Revenue Bonds	\$ 268,607	\$ 287,282	\$ 196,300	\$ 208,490	\$ 464,907	\$ 495,772	(6)%
Certificates of Participation	619,394	647,409	--	--	619,394	647,409	(4)%
Pension Obligation Bonds	116,772	120,772	--	--	116,772	120,772	(3)%
Recovery Bonds	225,870	240,110	--	--	225,870	240,110	(6)%
Add: Premium on Bonds Payable	5,045	3,445	5,082	5,777	10,127	9,222	10%
Less: Deferred Amount on Refunding	(6,110)	(4,597)	(15,099)	(17,255)	(21,209)	(21,852)	(3)%
<b>Total</b>	<b>\$ 1,229,578</b>	<b>\$ 1,294,421</b>	<b>\$ 186,283</b>	<b>\$ 197,012</b>	<b>\$ 1,415,861</b>	<b>\$ 1,491,433</b>	<b>(5)%</b>

The following summarizes the County's long-term debt activity during FY 2003-04:

- Tax Allocation Refunding Bonds, Series 2003 (Santa Ana Heights Project Area). On November 13, 2003, the Orange County Development Agency (OCDA) issued in the principal amount of \$38,465 Tax Allocation Refunding Bonds (Santa Ana Heights Project Area) Series 2003 at a premium of \$1,660. The proceeds of the bonds and other available monies were used to (1) refund and defease the outstanding 1993 Tax Allocation Revenue Bonds at a redemption price equal to 102% of the aggregate principal amount, (2) fund a reserve account for the new bonds, and (3) pay all the cost of issuing the bonds.

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. There were no changes in the County's underlying debt ratings as compared to the previous year.

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

#### LONG-TERM DEBT RATINGS

June 30, 2004

	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 signed the FY 2004-05 State Budget on July 31, 2004. The \$105,000,000 spending plan addresses budget shortfalls through program savings, borrowing, funding shifts, and local government contributions. A summary of the significant components of the FY 2004-05 State Budget are as follows:

Local Government Property Tax

- In exchange for contributing \$1,300,000 in each of the next two years, local governments will receive protection from future state borrowing of local government revenue through a Constitutional amendment approved by the voters on the November ballot. Orange County's share of the contribution is estimated at \$27,731 per year.
- During fiscal emergencies, the state is allowed to borrow local revenues with a two-thirds vote of the Legislature and Governor's signature.
- FY 2008-09 is the first year the state may borrow.
- Legislature cannot borrow more than 8% of local property tax revenue.
- Loan has to be repaid within 3 years with interest.
- The borrowing can take place twice during a 10-year period and only after the first loan has been repaid.
- Enterprise special districts will contribute 40% of their property tax revenues, not to exceed 10% of their total revenues. Special districts will contribute 10% of their property tax revenues. In FY 2006-07, regular property tax allocations to special districts will resume. Orange County's estimated additional special district contributions total \$7,600 for FY 2004-05.

Vehicle License Fees

- The local government package includes the swapping of vehicle license fee backfill for constitutionally protected property tax revenue.
- Establishes a new .65% VLF rate.

State Mandates

- Legislature must appropriate funds for state reimbursable mandates or suspend the provision for the mandate.
- Established a repayment plan for deferred mandate reimbursements commencing in FY 2006-07 and concluding in FY 2011-12.

In-Home Supportive Services (IHSS)

- Requires the state to match provider wages up to \$9.50 (in absolute dollar amount) per hour plus \$.60 (in absolute dollar amount) per hour for benefits. The May Revise budget assumed that the State would match only up to the minimum wage. Assuming that the County maintains the current provider wages, this change is estimated to add an additional \$3,000 to the State General Fund obligation for the IHSS program.
- Retirement: On August 24, 2004, the Board of Supervisors approved a Memorandum of Understanding (MOU) with a number of employee bargaining units, except for the American Federation of State, County and Municipal Employees (AFSCME), which will provide for increased retirement benefits based on a 2.7% at 55 formula beginning July 1, 2005. Additional information on this topic can be found in Note 20 of this report.
  - County Accounting and Personnel System (CAPS) Upgrade: CAPS is a vital part of the County's infrastructure that is needed for business processes such as financial planning and budget development, maintaining the County's financial records, collecting costs for federal and state billing, procuring goods and services, making vendor payments, processing the County's payroll, and administering enterprise-wide human resource functions. CAPS maintains financial records for the County's budget of \$4,800,000 and maintains human resource records and processes payroll for a work force of over 17,000 employees.

CAPS is based on 1980s technology and is becoming costly to maintain and operate. In addition, it is expected that the vendor will discontinue support of its Advantage products, implemented at the County, within three to five years. If the County does not take some action with the Advantage products after the vendor discontinues support system operations and maintenance

costs will grow, the risk of the systems not functioning properly will increase and ultimately the system will become technologically obsolete and unsupported.

The County is in the process of conducting a strategic assessment to identify the County's business processes to be included in the assessment, develop a strategic-level needs assessment for these business processes, identify the problems with the current system in meeting the County's business needs, develop a business case for taking action, and identify/analyze the viable alternative(s) (e.g., pro/cons, risks, costs).

The process is expected to take approximately five months. Based on the alternative(s) selected, Requests for Proposals will be issued to source the solution(s). Costs are expected to vary greatly and are expected to range from as little as \$5,000 to over \$50,000 depending on the selected alternative(s). Implementation of a solution could take from four to five years.

- Assessment Tax System (ATS) Upgrade: The County's property tax assessment, collection and allocation system processes approximately \$3,600,000 annually in property taxes for the cities, school districts and special districts within the County. The system was developed in the late 1980s and early 1990s in what is now an obsolete programming language that is becoming increasingly difficult to support. Given the critical nature of the application, its replacement is considered a strategic priority. This effort is under way and a request for proposals for a needs assessment has been finalized.

The needs assessment is expected to last one year and will result in a requirements document which will be used for sourcing services to develop the replacement application. The development and deployment of the application is expected to take from three to four years at a cost of approximately \$12,000 to \$15,000.

- Proposition 172: On September 14, 2004, the Registrar of Voters certified to the Orange County Board of Supervisors the *Initiative Reallocating a Portion of the County's Proposition 172 Funds from the County Sheriff-Coroner and District Attorney to the Orange County Fire Authority (OCFA)* petition. The Board completed a fiscal impact analysis of the Initiative pursuant to Elections Code Section 9111 and on September 28, 2004 placed the initiative on the next statewide general election to be decided in June 2006. If approved by the voters, the initiative would allocate 50% of any increase over a base year amount in FY 2004-05 of Proposition 172 Public Safety Sales Tax revenue to OCFA, subject to a maximum allocation of 10% of the County's annual Proposition 172 revenue.

The use of this funding is restricted to public safety purposes, which is defined by Government Code 30052(b)(1) as "sheriffs, police, fire protection, county district attorneys, county corrections, and ocean lifeguards." For purposes of allocating the County's share of Proposition 172 revenue, the Board of Supervisors designated the Sheriff-Coroner and the District Attorney as public safety services and allocated 80% of the revenue to the Sheriff-Coroner and the remaining 20% to the District Attorney. In FY 2004-05, this funding is budgeted to provide \$191,600 in revenue to the Sheriff and \$47,900 in revenue to the District Attorney.

### 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>.







# Basic Financial Statements



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	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents (Notes 1 and 3)	\$ 1,583,671	\$ 263,780	\$ 1,847,451	\$ 148,843
Restricted Cash and Cash Equivalents (Notes 1 and 3)	510,326	230,505	740,831	--
Investments (Notes 1 and 3)	6,199	19,736	25,935	--
Deposits In-Lieu of Cash	--	32,270	32,270	--
Internal Balances	12,424	(12,424)	--	--
Due from Component Unit (Note 6)	321	--	321	--
Prepaid Costs (Note 1)	150,360	3,638	153,998	--
Inventory of Materials and Supplies (Note 1)	1,388	--	1,388	--
Land and Improvements Held for Resale (Note 1)	1,703	--	1,703	--
Receivables, Net of Allowances (Note 5)				
Accounts	35,670	13,963	49,633	--
Taxes	25,497	--	25,497	6,927
Interest/Dividends	3,484	1,130	4,614	289
Deposits	16,714	--	16,714	--
Loans	1,533	--	1,533	--
Due from Other Governmental Agencies (Note 5)	264,444	3,388	267,832	463
Notes Receivable (Note 5)	21,590	--	21,590	--
Capital Assets (Notes 1 and 4)				
Not Depreciated	899,395	96,945	996,340	--
Depreciable (Net)	1,421,490	403,042	1,824,532	9
Total Capital Assets	<u>2,320,885</u>	<u>499,987</u>	<u>2,820,872</u>	<u>9</u>
Total Assets	<u>4,956,209</u>	<u>1,055,973</u>	<u>6,012,182</u>	<u>156,531</u>

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

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts Payable	\$ 64,060	\$ 17,734	\$ 81,794	\$ 10,336
Salaries and Employee Benefits Payable	67,206	1,509	68,715	86
Interest Payable	21,370	253	21,623	--
Deposits from Others	71,124	37,542	108,666	--
Due to Primary Government (Note 6)	--	--	--	321
Due to Other Governmental Agencies	31,179	2,376	33,555	108
Unapportioned Taxes	210	--	210	--
Deferred Revenue	77,402	2,779	80,181	--
Estimated Liability - Litigation and Claims	2,000	--	2,000	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 15)	55,751	--	55,751	--
Compensated Employee Absences Payable (Notes 1 and 9)	79,144	2,165	81,309	135
Pool Participant Claims (Note 9)	800	--	800	--
Capital Lease Obligations Payable (Notes 9 and 11)	4,402	--	4,402	--
Bonds Payable (Note 9)	56,747	13,353	70,100	--
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	3,025	3,025	--
Due in More than One Year				
Insurance Claims Payable (Notes 1 and 15)	72,083	--	72,083	--
Compensated Employee Absences Payable (Notes 1 and 9)	66,955	2,485	69,440	--
Arbitrage Rebate Payable (Note 9)	34	88	122	--
Pool Participant Claims (Note 9)	800	--	800	--
Capital Lease Obligations Payable (Notes 9 and 11)	67,310	--	67,310	--
Bonds Payable (Note 9)	1,172,831	172,930	1,345,761	--
Interest Accretion on Capital Appreciation Bonds Payable (Note 9)	73,555	--	73,555	--
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	169,632	169,632	--
Total Liabilities	1,984,963	425,871	2,410,834	10,986
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,259,064	315,335	2,574,399	9
Restricted (Note 1)				
Nonexpendable	91	--	91	--
Expendable	992,683	314,767	1,307,450	145,536
Unrestricted (Deficit) (Note 1)	(280,592)	--	(280,592)	--
Total Net Assets	\$ 2,971,246	\$ 630,102	\$ 3,601,348	\$ 145,545

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Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 211,036	\$ (40,216)	\$ 30,569	\$ 96,423	\$ 54,570
Public Protection	879,198	26,031	256,253	400,486	81
Public Ways and Facilities	80,022	(1,568)	44,728	27,150	--
Health and Sanitation	441,892	5,851	68,778	329,429	56
Public Assistance	725,542	6,156	3,436	674,271	--
Education	31,401	577	1,156	1,148	--
Recreation and Cultural Services	74,384	1,865	31,219	3,199	630
Interest on Long-Term Debt	78,474	--	--	--	--
Total Governmental Activities	<u>2,521,949</u>	<u>(1,304)</u>	<u>436,139</u>	<u>1,532,106</u>	<u>55,337</u>
Business-Type Activities					
Airport	77,554	681	90,657	2,361	6,183
Waste Management	70,235	623	112,498	5,098	--
Total Business-Type Activities	<u>147,789</u>	<u>1,304</u>	<u>203,155</u>	<u>7,459</u>	<u>6,183</u>
Total Primary Government	<u>\$ 2,669,738</u>	<u>\$ --</u>	<u>\$ 639,294</u>	<u>\$ 1,539,565</u>	<u>\$ 61,520</u>
<b>Component Unit</b>					
Children and Families					
Commission of Orange County	<u>\$ 41,637</u>	<u>\$ --</u>	<u>\$ 172</u>	<u>\$ 42,231</u>	<u>\$ --</u>

General Revenues

Taxes

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

Grants and Contributions Not Restricted to Specific Programs

State Allocation of Vehicle License Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers (Note 1)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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



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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	Functions/Programs
Governmental Activities	Business-Type Activities	Total		
\$ 10,742	\$ --	\$ 10,742		Primary Government
(248,409)	--	(248,409)		Governmental Activities
(6,576)	--	(6,576)		General Government
(49,480)	--	(49,480)		Public Protection
(53,991)	--	(53,991)		Public Ways and Facilities
(29,674)	--	(29,674)		Health and Sanitation
(41,201)	--	(41,201)		Public Assistance
(78,474)	--	(78,474)		Education
(497,063)	--	(497,063)		Recreation and Cultural Services
				Interest on Long-Term Debt
				Total Governmental Activities
--	20,966	20,966		Business-Type Activities
--	46,738	46,738		Airport
--	67,704	67,704		Waste Management
(497,063)	67,704	(429,359)		Total Business-Type Activities
				Total Primary Government
			\$ 766	Component Unit
				Children and Families
				Commission of Orange County
				General Revenues
				Taxes
211,944	--	211,944	--	Property Taxes, Levied for General Fund
47,677	--	47,677	--	Property Taxes, Levied for Flood Control District
35,450	--	35,450	--	Property Taxes, Levied for Harbors, Beaches and Parks
25,739	--	25,739	--	Property Taxes, Levied for Public Library
21,602	--	21,602	--	Property Tax Increments
51,104	--	51,104	--	Other Taxes
11,969	--	11,969	--	Grants and Contributions Not Restricted to Specific Programs
189,732	--	189,732	--	State Allocation of Vehicle License Fees
25,753	--	25,753	--	Unrestricted Investment Earnings
44,023	965	44,988	152	Miscellaneous Revenues
12,155	(12,155)	--	--	Transfers (Note 1)
677,148	(11,190)	665,958	152	Total General Revenues and Transfers
180,085	56,514	236,599	918	Change in Net Assets
2,791,161	573,588	3,364,749	144,627	Net Assets - Beginning of Year
\$ 2,971,246	\$ 630,102	\$ 3,601,348	\$ 145,545	Net Assets - End of Year

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	General Fund	Roads	Public Library	Tobacco Settlement	Refunding Bonds & Recovery COPs & Debt Prepayment
<b>ASSETS</b>					
Pooled Cash/Investments (Notes 1 and 3)	\$ 382,395	\$ 159,347	\$ 7,923	\$ 16,455	\$ 97,796
Imprest Cash Funds (Notes 3 and 12)	1,247	--	53	--	--
Restricted Cash and Investments with Trustee (Note 3)	--	--	--	--	146,503
Investments (Notes 1 and 3)	--	--	--	--	--
Receivables					
Accounts	27,752	195	241	--	--
Taxes (Note 1)	5,234	--	536	--	--
Interest/Dividends	--	--	--	--	--
Deposits	1,851	6,672	--	--	--
Loans	30	--	--	--	--
Allowance for Uncollectible Receivables	(407)	(13)	--	--	--
Due from Other Funds (Note 6)	36,562	1,083	644	2	--
Due from Component Unit (Note 6)	320	--	--	--	--
Due from Other Governmental Agencies	242,236	2,722	1	--	--
Inventory of Materials and Supplies (Notes 1 and 12)	295	91	--	--	--
Prepaid Costs (Notes 1 and 12)	52	--	--	--	--
Land and Improvements Held for Resale (Notes 1 and 12)	--	--	--	--	--
Notes Receivables	1,719	--	--	--	--
Total Assets	<u>\$ 699,286</u>	<u>\$ 170,097</u>	<u>\$ 9,398</u>	<u>\$ 16,457</u>	<u>\$ 244,299</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 47,427	\$ 1,023	\$ 736	\$ --	\$ --
Salaries and Employee Benefits Payable	60,411	818	1,160	--	--
Deposits from Others	1,780	45,153	3,511	--	--
Due to Other Funds (Note 6)	42,460	1,592	34	5,644	--
Due to Other Governmental Agencies	22,835	8	213	--	--
Unapportioned Tax:	171	--	--	--	--
Deferred Revenue (Note 1)	221,037	3,539	666	--	--
Total Liabilities	<u>396,121</u>	<u>52,133</u>	<u>6,320</u>	<u>5,644</u>	<u>--</u>
Fund Balances					
Reserved (Note 12)	179,186	104,035	2,760	--	146,503
Unreserved, Reported in					
General Fund	123,979	--	--	--	--
Special Revenue Funds	--	13,929	318	10,813	--
Debt Service Funds	--	--	--	--	97,796
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Total Fund Balances	<u>303,165</u>	<u>117,964</u>	<u>3,078</u>	<u>10,813</u>	<u>244,299</u>
Total Liabilities and Fund Balances	<u>\$ 699,286</u>	<u>\$ 170,097</u>	<u>\$ 9,398</u>	<u>\$ 16,457</u>	<u>\$ 244,299</u>

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

Basic Financial Statements  
Balance Sheet  
(Dollar Amounts in Thousands)

Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds
\$ 271,356	\$ 50,472	\$ 439,008	\$ 1,424,752
--	--	13	1,313
--	--	363,823	510,326
--	--	6,199	6,199
993	1,583	2,045	32,809
1,015	752	17,960	25,497
--	--	428	428
5,176	--	3,015	16,714
50	1,453	--	1,533
(10)	(6)	(4)	(440)
1,873	477	45,662	86,303
--	--	--	320
2,257	181	12,078	259,475
210	106	400	1,102
--	--	1,031	1,083
--	--	1,703	1,703
--	--	19,871	21,590
<u>\$ 282,920</u>	<u>\$ 55,018</u>	<u>\$ 913,232</u>	<u>\$ 2,390,707</u>

**ASSETS**

Pooled Cash/Investments (Notes 1 and 3)
Imprest Cash Funds (Notes 3 and 12)
Restricted Cash and Investments with Trustee (Note 3)
Investments (Notes 1 and 3)
Receivables
Accounts
Taxes (Note 1)
Interest/Dividends
Deposits
Loans
Allowance for Uncollectible Receivables
Due from Other Funds (Note 6)
Due from Component Unit (Note 6)
Due from Other Governmental Agencies
Inventory of Materials and Supplies (Notes 1 and 12)
Prepaid Costs (Notes 1 and 12)
Land and Improvements Held for Resale (Notes 1 and 12)
Notes Receivables
Total Assets

**LIABILITIES AND FUND BALANCES**

Liabilities
Accounts Payable
Salaries and Employee Benefits Payable
Deposits from Others
Due to Other Funds (Note 6)
Due to Other Governmental Agencies
Unapportioned Taxes
Deferred Revenue (Note 1)
Total Liabilities
Fund Balances
Reserved (Note 12)
Unreserved, Reported in
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Fund
Total Fund Balances
Total Liabilities and Fund Balances

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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 \$1,131,140 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 \$ 1,840,106

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

Land	\$ 481,048	
Structures and improvements	826,865	
Equipment	226,018	
Infrastructure	1,104,098	
Construction in progress	417,643	
Accumulated depreciation	<u>(755,203)</u>	2,300,469

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

Prepaid pension asset	146,753	
Unamortized bond issuance cost	2,524	
Receivable from other governmental agencies for pension expense	<u>4,862</u>	154,139

Internal Service Funds primarily serve governmental funds and consequently the assets and liabilities of Internal Service Funds are incorporated as part of governmental activities for purposes of government-wide financial reporting. In addition, the cumulative internal balance resulting from current year's and last year's allocation of Internal Service Funds to Business-type Activities are also reported in the Statement of Net Assets. 52,929

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. 163,023

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

Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Assets  
(Dollar Amounts in Thousands)

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

5,449

Governmental funds report only those liabilities that are expected to be liquidated with current available financial resources. Thus, governmental funds typically do not report any liability for the unmatured portion of long-term debt or any liability that does not consume current available financial resources. However, all liabilities must be reported in the government-wide financial statements. The adjustment to reduce net assets for the unmatured long-term liabilities on the Statement of Net Assets is \$1,544,869 which consisted of the following:

Bonds and COPs payable, net	(1,229,578)	
Compensated employee absences payable	(144,249)	
Pool participants claims	(1,600)	
Capital lease obligations payable	(71,712)	
Arbitrage rebate payable	(34)	
Interest payable on bonds and capital lease obligations payable	(21,370)	
Interest accretion on capital appreciation bonds payable	(73,555)	
Estimated liability - litigation and claims	(2,000)	
Due to fiduciary fund for the county's net pension obligation for the Extra-Help Employees' Defined Benefit Retirement Plan	(771)	(1,544,869)
	(771)	(1,544,869)
Net assets of governmental activities		\$ 2,971,246

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	General Fund	Roads	Public Library	Tobacco Settlement	Refunding Bonds & Recovery COPs & Debt Prepayment
<b>Revenues</b>					
Taxes	\$ 237,544	\$ --	\$ 25,477	\$ --	\$ --
Licenses, Permits, and Franchises	8,099	335	57	--	--
Fines, Forfeitures and Penalties	40,210	2	8	--	--
Use of Money and Property	6,869	1,582	89	213	8,241
Intergovernmental Revenues	1,361,531	22,391	1,494	--	28,345
Charges for Services	311,082	23,139	1,052	--	--
Contributions from Property Owners	--	--	--	--	--
Other Revenues	169,632	524	379	31,145	--
<b>Total Revenues</b>	<b>2,134,967</b>	<b>47,973</b>	<b>28,556</b>	<b>31,358</b>	<b>36,586</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	272,762	--	--	18	56
Public Protection	788,007	--	--	--	--
Public Ways and Facilities	27,967	37,289	--	--	--
Health and Sanitation	439,376	--	--	--	--
Public Assistance	605,829	--	--	--	--
Education	--	--	31,069	--	--
Recreation and Cultural Services	--	--	--	--	--
<b>Capital Outlay</b>	<b>39,681</b>	<b>2,566</b>	<b>528</b>	<b>--</b>	<b>--</b>
<b>Debt Service</b>					
Principal Retirement	3,635	--	360	--	39,900
Debt Service Payment to Escrow Bond Agent	--	--	--	--	--
Interest	4,687	--	514	--	50,289
Debt Issuance Costs	--	--	--	--	--
<b>Total Expenditures</b>	<b>2,181,944</b>	<b>39,855</b>	<b>32,471</b>	<b>18</b>	<b>90,245</b>
<b>Excess (Deficit) of Revenues   Over Expenditures</b>	<b>(46,977)</b>	<b>8,118</b>	<b>(3,915)</b>	<b>31,340</b>	<b>(53,659)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In (Note 8)	138,234	--	600	17	66,412
Transfers Out (Note 8)	(126,863)	(1)	--	(41,840)	(7,800)
Premium on Bonds Issued (Note 9)	--	--	--	--	--
Refunding Bonds Issued (Note 9)	--	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--	--
Capital Leases (Notes 9 and 11)	18,142	--	--	--	--
<b>Net Change in Fund Balances</b>	<b>(17,464)</b>	<b>8,117</b>	<b>(3,315)</b>	<b>(10,483)</b>	<b>4,953</b>
Fund Balances - Beginning of Year	320,629	109,847	6,393	21,296	239,346
Fund Balances - End of Year	<u>\$ 303,165</u>	<u>\$ 117,964</u>	<u>\$ 3,078</u>	<u>\$ 10,813</u>	<u>\$ 244,299</u>

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



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

Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds
\$ 47,191	\$ 35,090	\$ 21,785	\$ 367,087
306	302	6,768	15,867
14	124	19,680	60,038
3,915	23,850	50,601	95,360
10,194	3,171	166,049	1,593,175
9,380	7,514	8,552	360,719
--	--	54,570	54,570
1,870	1,142	10,651	215,343
<u>72,870</u>	<u>71,193</u>	<u>338,656</u>	<u>2,762,159</u>
--	--	20,843	293,679
55,733	--	31,356	875,096
--	--	5,484	70,740
--	--	4	439,380
--	--	117,250	723,079
--	--	--	31,069
--	66,397	209	66,606
16,899	4,663	59,873	124,210
--	--	25,581	69,476
--	--	4,314	4,314
--	--	12,209	67,699
--	--	1,279	1,279
<u>72,632</u>	<u>71,060</u>	<u>278,402</u>	<u>2,766,627</u>
238	133	60,254	(4,468)
--	14	98,179	303,456
(3,304)	(158)	(115,621)	(295,587)
--	--	1,660	1,660
--	--	38,465	38,465
--	--	(35,844)	(35,844)
<u>--</u>	<u>--</u>	<u>--</u>	<u>18,142</u>
(3,066)	(11)	47,093	25,824
<u>261,684</u>	<u>41,055</u>	<u>814,032</u>	<u>1,814,282</u>
<u>\$ 258,618</u>	<u>\$ 41,044</u>	<u>\$ 861,125</u>	<u>\$ 1,840,106</u>

Revenues
Taxes
Licenses, Permits, and Franchises
Fines, Forfeitures and Penalties
Use of Money and Property
Intergovernmental Revenues
Charges for Services
Contributions from Property Owners
Other Revenues
Total Revenues
Expenditures
Current
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Debt Service Payment to Escrow Bond Agent
Interest
Debt Issuance Costs
Total Expenditures
Excess (Deficit) of Revenues Over Expenditures
Other Financing Sources (Uses)
Transfers In (Note 8)
Transfers Out (Note 8)
Premium on Bonds Issued (Note 9)
Refunding Bonds Issued (Note 9)
Payment to Refunded Bond Escrow Agent
Capital Leases (Notes 9 and 11)
Net Change in Fund Balances
Fund Balances - Beginning of Year
Fund Balances - End of Year

The “net change in fund balances” for governmental funds of \$25,824 in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the “change in net assets” for governmental activities of \$180,085 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	\$	25,824
--	----	--------

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.

		31,745
--	--	--------

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. Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net assets in the government-wide financial statements. The details of the \$71,834 principal and other long-term liability payments and other financing source are as follows:

Principal and other long-term liability payments:		
Bonds payable	\$ 103,395	
Deferred amount on refunding	1,833	
Option B pool participant claims	800	
Capital lease obligations	4,663	
Arbitrage rebate payable	(11)	
Proceeds from issuance of bonds payable, net of bond premium and bond issuance cost	(38,846)	71,834

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 \$60,489 difference are as follows:

Government mandated and voluntary nonexchange revenues earned in FY 03-04	62,488	
Property tax revenues levied in FY 03-04 but not available	(1,999)	60,489

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

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

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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 \$13,121 difference are as follows:

Accrued interest expense on bonds payable	(21,370)	
Reversal of prior year's interest expense accrual	22,712	
Amortization of deferred charges	(373)	
Compensated employee absences expense	2,274	
Pension costs and amortization of the County's investment account with OCERS	(2,917)	
Accrued litigations and claims expense	(2,000)	
Interest accretion on capital appreciation bonds	<u>(11,447)</u>	(13,121)

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.

	<u>3,314</u>
Change in net assets of governmental activities	<u><u>\$ 180,085</u></u>

County of Orange  
 Comprehensive Annual Financial Report  
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	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 225,052	\$ 521	\$ 225,573
Licenses, Permits, and Franchises		7,297	60	7,357
Fines, Forfeitures and Penalties		36,995	(3,438)	33,557
Use of Money and Property		8,622	--	8,622
Intergovernmental Revenues		1,363,697	15,574	1,379,271
Charges for Services		339,254	1,561	340,815
Other Revenues		183,424	58	183,482
Transfers In		160,939	26,028	186,967
Bond Issuance Proceeds		3,203	--	3,203
Capital Leases		--	--	--
Total Revenues and Other Financing Sources		<u>2,328,483</u>	<u>40,364</u>	<u>2,368,847</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
General Government:				
Assessor	\$ 491	29,651	--	30,142
Auditor-Controller	765	14,462	--	15,227
Board of Supervisors - 1st District	2	745	--	747
Board of Supervisors - 2nd District	--	738	--	738
Board of Supervisors - 3rd District	1	728	--	729
Board of Supervisors - 4th District	5	735	--	740
Board of Supervisors - 5th District	1	745	--	746
Capital Acquisition Financing	--	8,856	--	8,856
Capital Projects	19,513	45,050	(12,040)	52,523
Clerk of the Board	34	2,322	71	2,427
County Counsel	451	8,365	(145)	8,671
County Executive Office	1,845	21,571	(541)	22,875
Data Systems Development Project	2,724	14,876	(105)	17,495
Employee Benefits	92	7,411	246	7,749
Internal Audit	43	2,203	71	2,317
Miscellaneous	--	164,230	(683)	163,547
Office of Protocol and International Business Development	--	175	--	175
Provisions For Contingencies	--	5,000	22,917	27,917
Recovery Certificates of Participation Lease Financing	--	64,404	3,440	67,844
Registrar of Voters	564	27,924	2,485	30,973
Treasurer-Tax Collector	71	14,441	--	14,512
Utilities	418	21,961	1	22,380
Public Protection:				
Alternate Defense	--	9,959	--	9,959
Child Support Services (Note 1)	173	57,125	4,791	62,089
Clerk-Recorder	287	9,739	684	10,710
Detention Release	--	1,421	--	1,421
District Attorney	529	76,305	2,836	79,670
Emergency Management Division	156	1,237	648	2,041
Grand Jury	--	533	--	533
Juvenile Justice Commission	--	182	--	182
Planning and Development Services Department	126	8,986	(16)	9,096
Probation	3,128	127,140	494	130,762
Public Defender	155	47,604	(391)	47,368
Sheriff-Coroner	7,635	367,619	21,885	397,139
Sheriff-Coroner Communications	110	9,528	854	10,492
Sheriff Court Operations	82	39,235	--	39,317
Trial Courts	228	67,677	4,913	72,818
Public Ways and Facilities:				
Resources and Development Management Department	1,551	45,131	641	47,323
Health and Sanitation:				
Health Care Agency	3,553	471,434	7,611	482,598
Watershed Management Program	2,445	18,053	319	20,817
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	321	123,964	2,261	126,546
Aid to Refugees	--	309	--	309
California Work Opportunities and Responsibility to Kids	--	113,766	732	114,498
Community Services Agency	730	15,022	1,478	17,230
General Relief	--	1,223	--	1,223
Social Services Agency	6,958	377,996	15,251	400,205
Total Expenditures/Encumbrances and Other Financing Uses	<u>55,187</u>	<u>2,447,781</u>	<u>80,708</u>	<u>2,583,676</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(55,187)	(119,298)	(40,344)	(214,829)
Fund Balances - Beginning of Year	--	123,298	--	123,298
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	55,187	--	--	55,187
Provisions for Reserves and/or Designations	--	(4,000)	40,344	36,344
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement  
General Fund  
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2004	Unspent Appropriations	
\$ 237,544	\$ 11,971			<b>Revenues and Other Financing Sources</b>
8,099	742			Taxes
40,210	6,653			Licenses, Permits, and Franchises
6,869	(1,753)			Fines, Forfeitures and Penalties
1,361,531	(17,740)			Use of Money and Property
311,082	(29,733)			Intergovernmental Revenues
169,632	(13,850)			Charges for Services
138,234	(48,733)			Other Revenues
--	(3,203)			Transfers In
18,142	18,142			Bond Issuance Proceeds
<u>2,291,343</u>	<u>(77,504)</u>			Capital Leases
				Total Revenues and Other Financing Sources
				<b>Expenditures/Encumbrances and Other Financing Uses</b>
				General Government:
29,286	856	\$ 615	\$ 241	Assessor
14,281	946	820	126	Auditor-Controller
719	28	--	28	Board of Supervisors - 1st District
711	27	3	24	Board of Supervisors - 2nd District
710	19	--	19	Board of Supervisors - 3rd District
610	130	--	130	Board of Supervisors - 4th District
720	26	2	24	Board of Supervisors - 5th District
6,792	2,064	--	2,064	Capital Acquisition Financing
14,042	38,481	28,715	9,766	Capital Projects
2,400	27	11	16	Clerk of the Board
7,127	1,544	463	1,081	County Counsel
16,984	5,891	1,591	4,300	County Executive Office
14,235	3,260	1,704	1,556	Data Systems Development Project
4,522	3,227	16	3,211	Employee Benefits
2,079	238	8	230	Internal Audit
127,390	36,157	--	36,157	Miscellaneous
168	7	--	7	Office of Protocol and International Business Development
--	27,917	--	27,917	Provisions For Contingencies
67,844	--	--	--	Recovery Certificates of Participation Lease Financing
29,742	1,231	125	1,106	Registrar of Voters
12,921	1,591	29	1,562	Treasurer-Tax Collector
20,176	2,204	2,793	(589)	Utilities
				Public Protection:
9,401	558	--	558	Alternate Defense
75,602	(13,513)	50	(13,563)	Child Support Services (Note 1)
8,451	2,259	1,220	1,039	Clerk-Recorder
1,353	68	--	68	Detention Release
77,175	2,495	1,290	1,205	District Attorney
1,474	567	43	524	Emergency Management Division
495	38	--	38	Grand Jury
160	22	2	20	Juvenile Justice Commission
7,485	1,611	99	1,512	Planning and Development Services Department
124,788	5,974	2,858	3,116	Probation
44,730	2,638	282	2,356	Public Defender
381,437	15,702	9,297	6,405	Sheriff-Coroner
9,102	1,390	174	1,216	Sheriff-Coroner Communications
38,385	932	42	890	Sheriff Court Operations
72,366	452	292	160	Trial Courts
				Public Ways and Facilities:
28,139	19,184	1,990	17,194	Resources and Development Management Department
				Health and Sanitation:
436,529	46,069	2,483	43,586	Health Care Agency
8,187	12,630	2,813	9,817	Watershed Management Program
				Public Assistance:
111,183	15,363	314	15,049	Aid to Families with Dependent Children - Foster Care
236	73	--	73	Aid to Refugees
111,660	2,838	--	2,838	California Work Opportunities and Responsibility to Kids
14,862	2,368	651	1,717	Community Services Agency
910	313	--	313	General Relief
371,238	28,967	6,753	22,214	Social Services Agency
<u>2,308,807</u>	<u>274,869</u>	<u>\$ 67,548</u>	<u>\$ 207,321</u>	Total Expenditures/Encumbrances and Other Financing Uses
				Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses
(17,464)	<u>\$ 197,365</u>			
320,629				Fund Balances - Beginning of Year
42,320				Cancellation of Reserves/Designations
67,548				Fund Balance Reserved for Encumbrances
(109,868)				Provisions for Reserves and/or Designations
<u>\$ 303,165</u>				Fund Balances - End of Year

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises		\$ 459	\$ --	\$ 459
Fines, Forfeitures and Penalties		15	--	15
Use of Money and Property		2,900	--	2,900
Intergovernmental Revenues		39,304	--	39,304
Charges for Services		14,771	--	14,771
Other Revenues		19,307	3,400	22,707
Transfers In		1,800	(1,800)	--
Total Revenues and Other Financing Sources		<u>78,556</u>	<u>1,600</u>	<u>80,156</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Public Ways and Facilities:				
Roads	\$ 23,055	89,429	(14,545)	97,939
Foothill Circulation Phasing Plan	2,156	7,072	4,036	13,264
Total Expenditures/Encumbrances and Other Financing Uses	<u>25,211</u>	<u>96,501</u>	<u>(10,509)</u>	<u>111,203</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(25,211)	(17,945)	12,109	(31,047)
Fund Balances - Beginning of Year	--	23,338	--	23,338
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	25,211	--	--	25,211
Provisions for Reserves and/or Designations	--	(5,393)	(12,109)	(17,502)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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



Budgetary Comparison Statement  
Roads  
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2004	Unspent Appropriations
\$ 335	\$ (124)		
2	(13)		
1,582	(1,318)		
22,391	(16,913)		
23,139	8,368		
524	(22,183)		
--	--		
<u>47,973</u>	<u>(32,183)</u>		
39,378	58,561	\$ 30,728	\$ 27,833
<u>478</u>	<u>12,786</u>	<u>5,363</u>	<u>7,423</u>
39,856	71,347	<u>\$ 36,091</u>	<u>\$ 35,256</u>
8,117	<u>\$ 39,164</u>		
109,847			
(104,035)			
36,091			
67,944			
<u>\$ 117,964</u>			

**Revenues and Other Financing Sources**

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

**Expenditures/Encumbrances and Other Financing Uses**

- Public Ways and Facilities:
  - Roads
  - Foothill Circulation Phasing Plan
  - Total Expenditures/Encumbrances and Other Financing Uses
  - Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses
- Fund Balances - Beginning of Year
- Cancellation of Reserves/Designations
- Fund Balance Reserved for Encumbrances
- Provisions for Reserves and/or Designations
- Fund Balances - End of Year

County of Orange  
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	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 25,386	\$ (237)	\$ 25,149
Licenses, Permits, and Franchises		--	4,528	4,528
Fines, Forfeitures and Penalties		8	--	8
Use of Money and Property		122	(35)	87
Intergovernmental Revenues		1,444	(178)	1,266
Charges for Services		1,202	(150)	1,052
Other Revenues		4,705	(4,492)	213
Transfers In		724	1,885	2,609
Total Revenues and Other Financing Sources		<u>33,591</u>	<u>1,321</u>	<u>34,912</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Education:				
Public Library - Capital	\$ 728	5,158	828	6,714
Public Library	754	29,913	1,897	32,564
Total Expenditures/Encumbrances and Other Financing Uses	<u>1,482</u>	<u>35,071</u>	<u>2,725</u>	<u>39,278</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(1,482)	(1,480)	(1,404)	(4,366)
Fund Balances - Beginning of Year	--	1,480	--	1,480
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	1,482	--	--	1,482
Provisions for Reserves and/or Designations	--	--	1,404	1,404
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement  
Public Library  
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2004	Unspent Appropriations
\$ 25,477	\$ 328		
57	(4,471)		
8	--		
89	2		
1,494	228		
1,052	--		
379	166		
600	(2,009)		
<u>29,156</u>	<u>(5,756)</u>		
526	6,188	\$ 280	\$ 5,908
<u>31,945</u>	<u>619</u>	<u>410</u>	<u>209</u>
<u>32,471</u>	<u>6,807</u>	<u>\$ 690</u>	<u>\$ 6,117</u>
(3,315)	<u>\$ 1,051</u>		
6,393			
(2,760)			
690			
<u>2,070</u>			
<u>\$ 3,078</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**

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

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

County of Orange  
 Comprehensive Annual Financial Report  
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	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property		\$ 15	\$ --	\$ 15
Other Revenues		30,125	--	30,125
Transfers In		--	--	--
Total Revenues and Other Financing Sources		<u>30,140</u>	<u>--</u>	<u>30,140</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
General Government:				
Orange County Tobacco Settlement Fund	\$ --	41,455	8,702	50,157
Tobacco Settlement Funds	--	1,474	(195)	1,279
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>42,929</u>	<u>8,507</u>	<u>51,436</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(12,789)	(8,507)	(21,296)
Fund Balances - Beginning of Year	--	12,789	--	12,789
Cancellation of Reserves/Designations	--	--	8,507	8,507
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement  
Tobacco Settlement  
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2004	Unspent Appropriations
\$ 213	\$ 198		
31,145	1,020		
17	17		
<u>31,375</u>	<u>1,235</u>		
41,858	8,299	\$ --	\$ 8,299
--	1,279	--	1,279
<u>41,858</u>	<u>9,578</u>	<u>\$ --</u>	<u>\$ 9,578</u>
(10,483)	<u>\$ 10,813</u>		
21,296			
--			
<u>\$ 10,813</u>			

**Revenues**  
 Use of Money and Property  
 Other Revenues  
 Transfers In  
 Total Revenues

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

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

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 43,571	\$ 1	\$ 43,572
Licenses, Permits, and Franchises		222	--	222
Fines, Forfeitures and Penalties		--	--	--
Use of Money and Property		5,644	--	5,644
Intergovernmental Revenues		12,095	--	12,095
Charges for Services		8,105	--	8,105
Other Revenues		1,082	--	1,082
Transfers In		--	10	10
Total Revenues and Other Financing Sources		<u>70,719</u>	<u>11</u>	<u>70,730</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Public Protection:				
Flood Control District	\$ 20,805	82,662	1,011	104,478
Santa Ana River Environmental Enhancement	--	238	(4)	234
Flood Control District - Capital	3,891	88,817	--	92,708
Total Expenditures/Encumbrances and Other Financing Uses	<u>24,696</u>	<u>171,717</u>	<u>1,007</u>	<u>197,420</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(24,696)	(100,998)	(996)	(126,690)
Fund Balances - Beginning of Year	--	70,643	--	70,643
Cancellation of Reserves/Designations	--	30,355	--	30,355
Fund Balance Reserved for Encumbrances	24,696	--	--	24,696
Provisions for Reserves and/or Designations	--	--	996	996
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement  
 Flood Control District  
 (Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2004	Unspent Appropriations
\$ 47,191	\$ 3,619		
306	84		
14	14		
3,915	(1,729)		
10,194	(1,901)		
9,380	1,275		
1,870	788		
--	(10)		
<u>72,870</u>	<u>2,140</u>		
59,740	44,738	\$ 14,122	\$ 30,616
--	234	2	232
<u>16,196</u>	<u>76,512</u>	<u>3,664</u>	<u>72,848</u>
<u>75,936</u>	<u>121,484</u>	<u>\$ 17,788</u>	<u>\$ 103,696</u>
(3,066)	<u>\$ 123,624</u>		
261,684			
(153,079)			
17,788			
135,291			
<u>\$ 258,618</u>			

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

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

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



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	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 33,914	\$ (2)	\$ 33,912
Licenses, Permits, and Franchises		231	--	231
Fines, Forfeitures and Penalties		22	102	124
Use of Money and Property		24,749	(452)	24,297
Intergovernmental Revenues		13,004	828	13,832
Charges for Services		6,607	235	6,842
Other Revenues		1,091	152	1,243
Transfers In		799	943	1,742
Capital Leases		--	--	--
Total Revenues and Other Financing Sources		<u>80,417</u>	<u>1,806</u>	<u>82,223</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	\$ 86	3,065	665	3,816
County Tidelands - Dana Point	2,352	19,069	(1,127)	20,294
Harbors, Beaches, and Parks	<u>5,929</u>	<u>72,264</u>	<u>1,673</u>	<u>79,866</u>
Total Expenditures/Encumbrances and Other Financing Uses	<u>8,367</u>	<u>94,398</u>	<u>1,211</u>	<u>103,976</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(8,367)	(13,981)	595	(21,753)
Fund Balances - Beginning of Year	--	16,316	--	16,316
Cancellation of Reserves/Designations	--	150	--	150
Fund Balance Reserved for Encumbrances	8,367	--	--	8,367
Provisions for Reserves and/or Designations	--	(2,485)	(595)	(3,080)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement  
Harbors, Beaches and Parks  
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2004	Unspent Appropriations
\$ 35,090	\$ 1,178		
302	71		
124	--		
23,850	(447)		
3,171	(10,661)		
7,514	672		
1,142	(101)		
14	(1,728)		
--	--		
<u>71,207</u>	<u>(11,016)</u>		
1,880	1,936	\$ 297	\$ 1,639
17,518	2,776	2,520	256
<u>51,820</u>	<u>28,046</u>	<u>7,933</u>	<u>20,113</u>
<u>71,218</u>	<u>32,758</u>	<u>\$ 10,750</u>	<u>\$ 22,008</u>
(11)	<u>\$ 21,742</u>		
41,055			
(30,151)			
10,750			
19,401			
<u>\$ 41,044</u>			

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

**Expenditures/Encumbrances and Other Financing Uses**  
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

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	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Pooled Cash/Investments (Notes 1 and 3)	\$ 34,794	\$ 203,020	\$ 237,814	\$ 157,473
Cash Equivalents/Specific Investments (Notes 1 and 3)	24,396	--	24,396	--
Cash/Cash Equivalents (Notes 1 and 3)	1,521	--	1,521	--
Imprest Cash Funds (Note 3)	14	35	49	133
Restricted Cash and Investments with Trustee (Note 3)	29,164	10,331	39,495	--
Restricted Pooled Cash/Investments (Note 3)	1,654	18,878	20,532	--
Investments (Notes 1 and 3)	1,352	--	1,352	--
Deposits In-Lieu of Cash	15,063	17,207	32,270	--
Receivables				
Accounts	2,788	11,180	13,968	175
Interest/Dividends	318	1	319	--
Allowance for Uncollectible Receivables	(4)	(1)	(5)	(1)
Due from Other Funds (Note 6)	177	761	938	1,676
Due from Component Unit	--	--	--	1
Due from Other Governmental Agencies	2,701	687	3,388	107
Inventory of Materials and Supplies (Note 1)	--	--	--	286
Prepaid Costs (Note 1)	2,005	--	2,005	--
<b>Total Current Assets</b>	<b>115,943</b>	<b>262,099</b>	<b>378,042</b>	<b>159,850</b>
<b>Noncurrent Assets</b>				
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 3, and 13)	--	170,478	170,478	--
Investments (Notes 1 and 3)	18,384	--	18,384	--
Capital Assets: (Note 4)				
Land	15,678	18,430	34,108	--
Structures and Improvements	326,010	6,750	332,760	4,509
Accumulated Depreciation	(133,986)	(2,664)	(136,650)	(3,560)
Equipment	8,701	40,999	49,700	86,148
Accumulated Depreciation	(5,744)	(19,534)	(25,278)	(60,881)
Construction in Progress	24,810	38,027	62,837	704
Infrastructure	117,528	190,980	308,508	--
Accumulated Depreciation	(69,027)	(56,971)	(125,998)	--
Bond Issuance Costs	1,046	587	1,633	--
<b>Total Noncurrent Assets</b>	<b>303,400</b>	<b>387,082</b>	<b>690,482</b>	<b>26,920</b>
<b>Total Assets</b>	<b>419,343</b>	<b>649,181</b>	<b>1,068,524</b>	<b>186,770</b>

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

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 7,847	\$ 9,887	\$ 17,734	\$ 2,905
Salaries and Employee Benefits Payable	556	953	1,509	922
Deferred Revenue	2,779	--	2,779	--
Due to Other Funds (Note 6)	1,856	3,767	5,623	746
Due to Other Governmental Agencies	256	2,120	2,376	5
Insurance Claims Payable (Notes 1 and 15)	--	--	--	55,751
Compensated Employee Absences Payable (Notes 1 and 9)	802	1,363	2,165	920
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	3,025	3,025	--
Bonds Payable (Notes 1 and 9)	9,507	3,846	13,353	--
Capital Lease Obligations Payable (Note 9)	--	--	--	1,188
Interest Payable	--	253	253	--
Deposits from Others	19,738	17,804	37,542	--
Total Current Liabilities	<u>43,341</u>	<u>43,018</u>	<u>86,359</u>	<u>62,437</u>
Noncurrent Liabilities				
Insurance Claims Payable (Notes 1 and 15)	--	--	--	72,083
Compensated Employee Absences Payable (Notes 1 and 9)	772	1,713	2,485	930
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	169,632	169,632	--
Bonds Payable (Notes 1 and 9)	123,544	49,386	172,930	--
Capital Lease Obligations Payable (Note 9)	--	--	--	5,244
Arbitrage Rebate Payable (Note 9)	--	88	88	--
Total Noncurrent Liabilities	<u>124,316</u>	<u>220,819</u>	<u>345,135</u>	<u>78,257</u>
Total Liabilities	<u>167,657</u>	<u>263,837</u>	<u>431,494</u>	<u>140,694</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt (Note 1)	151,965	163,370	315,335	20,491
Restricted (Note 1)	29,164	55,922	85,086	--
Unrestricted (Note 1)	70,557	166,052	236,609	25,585
Total Net Assets	<u>\$ 251,686</u>	<u>\$ 385,344</u>	<u>637,030</u>	<u>\$ 46,076</u>
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			(1,400)	
Cumulative effect of prior year's internal service funds' allocation.			<u>(5,528)</u>	
Net assets of business-type activities			<u>\$ 630,102</u>	

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Operating Revenues				
Use of Property	\$ 77,290	\$ 618	\$ 77,908	\$ 1,500
Licenses, Permits, and Franchises	--	47	47	--
Charges for Services	13,367	111,764	125,131	58,700
Insurance Premiums	--	--	--	140,616
Other Revenues	--	448	448	--
Total Operating Revenues	<u>90,657</u>	<u>112,877</u>	<u>203,534</u>	<u>200,816</u>
Operating Expenses				
Salaries and Employee Benefits	10,756	19,201	29,957	13,632
Services and Supplies	13,594	13,915	27,509	28,012
Professional Services	25,075	12,331	37,406	28,938
Operating Leases	149	646	795	5,031
Insurance Claims (Note 15)	--	--	--	110,797
Other Charges	--	--	--	15,144
Taxes and Other Fees	--	8,447	8,447	--
Landfill Site Closure/Postclosure Costs (Note 13)	--	1,173	1,173	--
Depreciation (Note 4)	18,512	11,233	29,745	5,073
Total Operating Expenses	<u>68,086</u>	<u>66,946</u>	<u>135,032</u>	<u>206,627</u>
Operating Income (Loss)	<u>22,571</u>	<u>45,931</u>	<u>68,502</u>	<u>(5,811)</u>
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	30	30	--
Intergovernmental Revenues	409	401	810	42
Interest Revenue	1,952	4,696	6,648	1,507
Interest Expense	(8,838)	(3,535)	(12,373)	(552)
Gain (Loss) on Disposition of Capital Assets	(8)	20	12	(124)
Other Revenue (Expense) - Net	505	(248)	257	1,547
Total Nonoperating Revenues (Expenses)	<u>(5,980)</u>	<u>1,364</u>	<u>(4,616)</u>	<u>2,420</u>
Income (Loss) Before Contributions and Transfers	16,591	47,295	63,886	(3,391)
Capital Contributions	6,183	--	6,183	34
Transfers In (Note 8)	70	2	72	4,286
Transfers Out (Note 8)	--	(12,227)	(12,227)	--
Increase in Net Assets	<u>22,844</u>	<u>35,070</u>	<u>57,914</u>	<u>929</u>
Net Assets - Beginning of Year	228,842	350,274		45,147
Net Assets - End of Year	<u>\$ 251,686</u>	<u>\$ 385,344</u>		<u>\$ 46,076</u>
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			<u>(1,400)</u>	
Increase in Net Assets of Business-Type Activities			<u>\$ 56,514</u>	

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



County of Orange  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 92,125	\$ 113,823	\$ 205,948	\$ 60,221
Cash Received for Premiums Within the County's Entity	--	--	--	140,616
Payments to Suppliers for Goods and Services	(38,695)	(22,818)	(61,513)	(150,764)
Payments to Employees for Services	(10,604)	(18,769)	(29,373)	(12,925)
Payments to Other Funds for Interfund Services Provided	571	106	677	48
Cash Received from (Paid for) Interfund Charges	(93)	(382)	(475)	2,736
Retiree Healthcare Contributions	--	--	--	(15,121)
Landfill Site Closure/Postclosure Care Costs	--	(9,737)	(9,737)	--
Taxes and Other Fees	--	(8,446)	(8,446)	--
Other Operating Receipts (Payments)	508	(675)	(167)	(3,508)
Net Cash Provided by Operating Activities	<u>43,812</u>	<u>53,102</u>	<u>96,914</u>	<u>21,303</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	70	2	72	4,098
Transfers Out	--	(12,190)	(12,190)	--
Intergovernmental Revenues	409	401	810	42
Net Cash Provided (Used) by Noncapital Financing Activities	<u>479</u>	<u>(11,787)</u>	<u>(11,308)</u>	<u>4,140</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(14,216)	(26,631)	(40,847)	(3,184)
Principal Paid on Bonds	(8,110)	(4,080)	(12,190)	--
Interest Paid on Long-Term Debt	(7,628)	(3,007)	(10,635)	(334)
Capital Contributions	4,484	--	4,484	--
Transfers In	--	--	--	188
Principal Paid on Capital Lease Obligations	--	--	--	(1,360)
Proceeds from Sale of Capital Assets	--	40	40	308
Net Cash Used by Capital and Related Financing Activities	<u>(25,470)</u>	<u>(33,678)</u>	<u>(59,148)</u>	<u>(4,382)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest on Investments	1,704	5,609	7,313	1,503
Purchases of Investments	464	-	464	--
Increase in Restricted Investments with Trustee	--	(82)	(82)	--
Net Cash Provided by Investing Activities	<u>2,168</u>	<u>5,527</u>	<u>7,695</u>	<u>1,503</u>
Net Increase in Cash and Cash Equivalents	20,989	13,164	34,153	22,564
Cash Balances - Beginning of Year	52,592	379,247	431,839	135,042
Cash Balances - End of Year	<u>\$ 73,581</u>	<u>\$ 392,411</u>	<u>\$ 465,992</u>	<u>\$ 157,606</u>

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



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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 22,571	\$ 45,931	\$ 68,502	\$ (5,811)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	18,512	11,233	29,745	5,073
Provision for Landfill Site Closure/Postclosure Costs	--	1,173	1,173	--
Fines, Forfeitures and Penalties	--	30	30	--
Other Revenue (Expense)	506	(114)	392	1,547
Landfill Site Closure Disbursements	--	(9,737)	(9,737)	--
(Increases) Decreases In:				
Deposits In-Lieu of Cash	388	357	745	--
Accounts Receivable	214	939	1,153	34
Due from Other Funds	(93)	(382)	(475)	2,731
Due from Component Unit	--	--	--	3
Due from Other Governmental Agencies	(128)	(5)	(133)	(14)
Prepaid Costs	22	--	22	--
Inventory of Materials and Supplies	--	--	--	328
Increases (Decreases) In:				
Accounts Payable	(155)	3,387	3,232	964
Salaries and Employee Benefits Payable	166	286	452	505
Deposits from Others	289	(346)	(57)	--
Due to Other Funds	571	106	677	48
Due to Other Governmental Agencies	256	41	297	--
Insurance Claims Payable	--	--	--	15,692
Deferred Revenue	706	(1)	705	(2)
Compensated Employee Absences Payable	(13)	147	134	205
Arbitrage Rebate Payable	--	57	57	--
Total Adjustments	<u>21,241</u>	<u>7,171</u>	<u>28,412</u>	<u>27,114</u>
Net Cash Provided by Operating Activities	<u>\$ 43,812</u>	<u>\$ 53,102</u>	<u>\$ 96,914</u>	<u>\$ 21,303</u>
Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts				
Pooled Cash/Investments	\$ 34,794	\$ 203,020	\$ 237,814	\$ 157,473
Cash Equivalents/Specific Investments	24,396	--	24,396	--
Cash/Cash Equivalents	1,521	--	1,521	--
Imprest Cash Funds	14	35	49	133
Restricted Pooled Cash/Investments	1,654	18,878	20,532	--
Restricted Cash and Investments with Trustee	11,202 (1)	-- (2)	11,202	--
Restricted Pooled Cash/Investments - Closure & Postclosure Care Costs	--	170,478	170,478	--
Total Cash and Cash Equivalents	<u>\$ 73,581</u>	<u>\$ 392,411</u>	<u>\$ 465,992</u>	<u>\$ 157,606</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

- The Waste Management Enterprise Fund disposed \$134 of capital assets.
- During the year, the Internal Service Funds of Transportation and Information and Technology received \$34 of capital contributions from the General Fund.

- (1) Does not include \$17,962 from Airport's nonliquid Restricted Cash and Investments with Trustee.  
(2) Does not include \$10,331 from Waste Management's nonliquid Restricted Cash and Investments with Trustee.

**STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS**

	Private- Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits	Agency Funds
<b>ASSETS</b>				
Pooled Cash/Investments (Notes 1 and 3)	\$ 45,633	\$ 2,496,410	\$ 4,696	\$ 144,805
Imprest Cash Funds (Notes 1 and 3)	--	--	--	110
Restricted Cash and Investments with Trustees (Notes 1 and 3)	2,886	--	4,325	15,993
Investments (Notes 1 and 3)	--	--	--	1,116
Deposits In-Lieu of Cash	--	--	--	15,079
Receivables				
Accounts	5	--	--	8,560
Taxes (Note 1)	--	--	--	140,558
Interest/Dividends	--	5,926	--	5,900
Allowance for Uncollectible Receivables	(3)	--	--	(2)
Due from Other Funds (Note 6)	241	612	9	105
Due from Other Governmental Agencies	--	--	771	2,508
Notes Receivable	--	--	--	7,783
Total Assets	<u>48,762</u>	<u>2,502,948</u>	<u>9,801</u>	<u>\$ 342,515</u>
<b>LIABILITIES</b>				
Accounts Payable	1,323	--	148	--
Deposits from Others	--	--	--	361
Monies Held for Others	--	--	--	78,742
Due to Other Funds (Note 6)	35	111	--	7,554
Due to Component Unit (Note 6)	--	--	--	289
Due to Other Governmental Agencies	--	--	--	29,012
Unapportioned Taxes	--	--	--	226,557
Total Liabilities	<u>1,358</u>	<u>111</u>	<u>148</u>	<u>\$ 342,515</u>
<b>NET ASSETS</b>				
Held in Trust (Note 12)	47,404	2,502,837	9,653	
Total Net Assets	<u>\$ 47,404</u>	<u>\$ 2,502,837</u>	<u>\$ 9,653</u>	

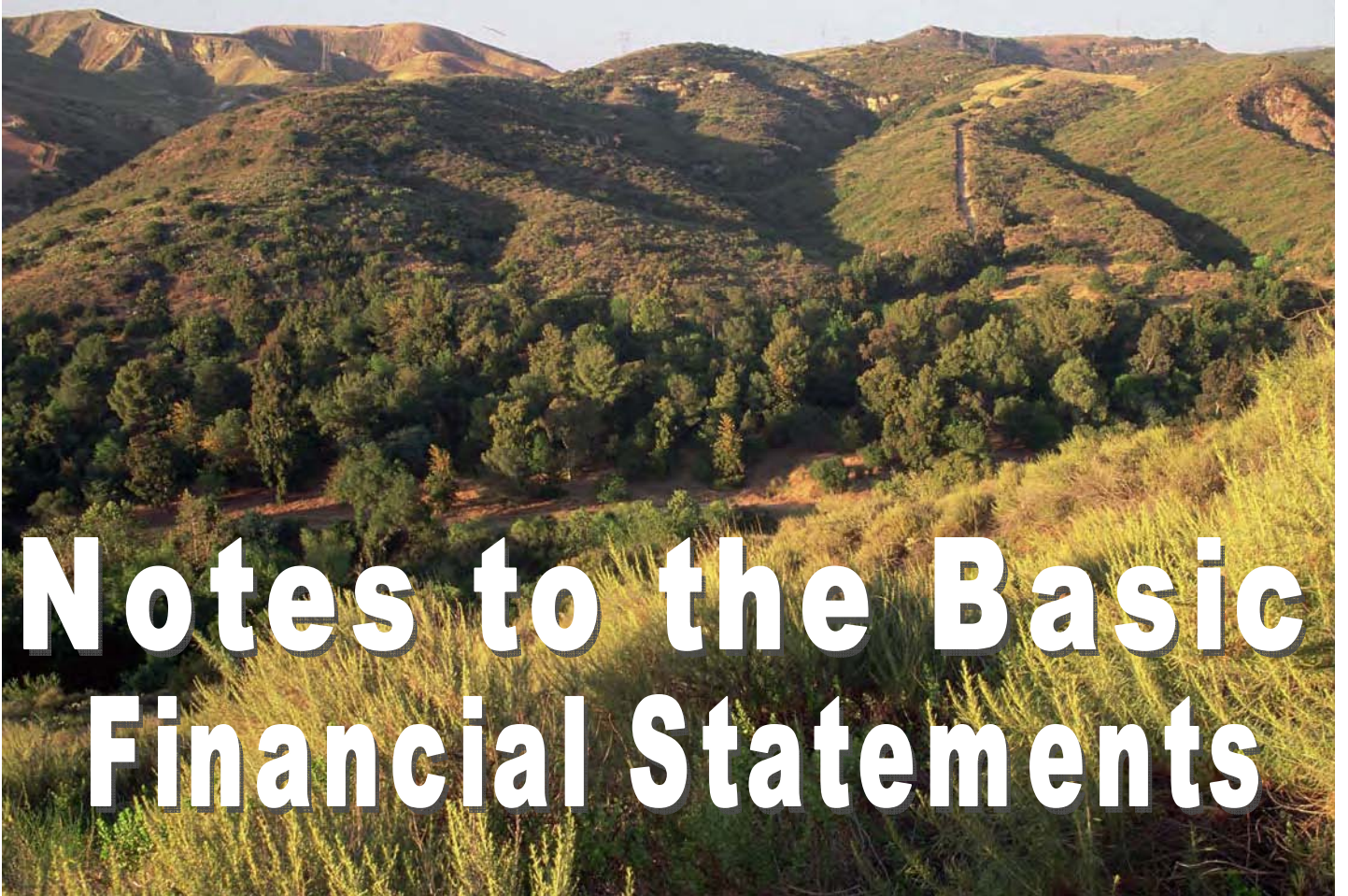
The notes to the basic financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Private-Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Additions:			
Contributions to Pension Trust	\$ --	\$ --	\$ 2,593
Contributions to Pooled Investments	--	6,495,229	--
Contributions to Private-Purpose Trust	317,919	--	--
Interest and Investment Income	541	28,901	274
Less: Investment Expense	(51)	(2,868)	(5)
Total Additions	<u>318,409</u>	<u>6,521,262</u>	<u>2,862</u>
Deductions:			
Benefits Paid to Participants	--	--	48
Refunds of Prior Contributions	--	--	907
Distributions from Pooled Investments	--	6,242,799	--
Distributions from Private-Purpose Trust	321,087	--	--
Total Deductions	<u>321,087</u>	<u>6,242,799</u>	<u>955</u>
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	(2,678)	--	--
External Investment Pool	--	278,463	--
Employees' Retirement	--	--	1,907
Net Assets Held in Trust, Beginning of Year	<u>50,082</u>	<u>2,224,374</u>	<u>7,746</u>
Net Assets Held in Trust, End of Year	<u>\$ 47,404</u>	<u>\$ 2,502,837</u>	<u>\$ 9,653</u>

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





# **Notes to the Basic Financial Statements**



## **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 generally accepted accounting principles 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.



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**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.

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

Discretely Presented Component Unit

Children and Families Commission of Orange County 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 Children and Families Commission of Orange County, 17320 Redhill Avenue, Suite 200, Irvine, CA 92614.

## **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 report 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**

Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" ("GASB Statement No. 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, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns, with a combined total column presented for the primary government. Likewise, the primary government is reported separately from 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:

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

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

Government-Wide Financial Statements (Continued)

- 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 shown in the Statement of Net Assets. Capital assets cannot readily be sold and converted to cash.
- Restricted Net Assets This category represents restrictions imposed on the use of the County's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. Examples of restricted net assets include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service for governmental activities payments. At June 30, 2004, the County reported restricted net assets of \$992,774 restricted for the following purposes:

Restricted for:	Amount
Capital projects	\$ 207,838
Debt service	155,964
Legally segregated special revenue funds restricted for grants and other purposes	628,881
Regional park endowment	91
Total restricted net assets	\$ 992,774

Restricted Net Assets for business-type activities amounted to \$314,767 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 investment earnings not properly included among program revenues are reported instead as general revenues.

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

Roads This fund accounts for the maintenance and construction of roadways, and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of state highway users' taxes, 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 Bonds 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.

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**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 tie down 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 326 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.

**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*

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 tie down fees and (2) disposal fees charged to users of the waste disposal sites, respectively.

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**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 after 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, 2004, the County reported deferred revenue of \$245,874 in the governmental funds' Balance Sheet, of which \$163,023 represents the amount of intergovernmental revenues unavailable for revenue recognition.



**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 to explain 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).

Throughout the year the original budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of 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.

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**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*
- *Flood Control District*
- *Harbors, Beaches, and Parks*

Budgetary comparison information for the Refunding Bonds & Recovery COPs and Debt Prepayment major debt service fund and the nonmajor governmental funds are presented in the "Budgetary Comparison Schedules" in the supplemental information section.

**E. Excess of Expenditures over Appropriations**

For FY 2003-04, expenditures exceeded appropriations in the Child Support Services Agency (CSS) (the legal level of budgetary control) of the General Fund by \$13,563, caused by the County entering into a capital lease for a building with a net present value of \$18,000. The Board of Supervisors approved the execution of this capital lease on December 16, 2003, without increasing appropriations. This excess expenditure was funded by an other financing source of \$18,000. The County will annually budget the required lease payments, but does not budget for the GAAP requirement to report both an other financing source and an expenditure equal to the net present value of the minimum lease payments at the inception of the lease. GAAP requires reporting the initial other financing source and expenditure for the net present value, as well as reporting the annual lease payment expenditure.

**F. 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 instruments authorized by the respective trust agreements including 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.

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

G. Inventory of Materials and Supplies

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost 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.

H. 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, 2004, the County has prepaid costs of \$150,360 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 \$146,753. See Note 18 for additional information regarding this pension investment asset for the County's Retirement Plans.

I. Land and Improvements Held for Resale

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

J. Capital Assets

Capital assets are defined as assets of a long-term character that are intended to be held or used in operations, such as land, structures and improvements, equipment, 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.

<b>Asset Type</b>	<b>Capitalization Threshold</b>
Land	\$ 0
Structures and Improvements	\$ 150
Equipment	\$ 5
Infrastructure	\$ 0

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

J. 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.

K. 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).

L. Property Taxes

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the County Assessor, in the case of locally assessed property, and as determined by the State Board of Equalization, in the case of State-assessed 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.

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

L. 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 (disbursed) to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements; materiality of collections received; tax delinquency dates; the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or 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 at June 30, 2004 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 maintains records of disputed property taxes, such as those properties for which the values have been appealed to the local Assessment Appeals Boards. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or the tax bills are corrected. As of June 30, 2004, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 1.29 percent of the combined beginning secured and unsecured property tax roll charge.

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

L. 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

M. 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.

N. Statement of Cash Flows

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

O. 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 2003-04 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 2003-04 in order to match the reimbursement of indirect costs recorded as program revenues to the same function that the related expense is recorded in.

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

P. Effects of New Pronouncements

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

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 and is effective for fiscal periods beginning after June 15, 2004. 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. The County Treasurer has implemented the new reporting requirements for the fiscal year 2003-04 financial statements.

In November 2003, GASB issued Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*" This statement establishes accounting and financial reporting standards for impairment of capital assets and is effective for fiscal periods beginning after June 30, 2005. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The County of Orange intends to implement the new reporting requirements for the fiscal year 2005-06 financial statements.

In April 2004, GASB issued Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and is effective for fiscal periods beginning after June 30, 2006. The approach followed in this statement reflects differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, stand-alone financial reports of OPEB plans, the public employee retirement systems, or third parties that administer them. This statement also provides requirements for reporting OPEB funds by administrators of multiple-employer OPEB plans that are not a trust fund. The County of Orange intends to implement the new reporting requirements for the fiscal year 2006-07 financial statements.

In May 2004, GASB issued Statement No. 44, "*Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.*" This statement amends the portions of NCGA (National Council on Governmental Accounting) Statement 1, *Governmental Accounting and Financial Reporting Principles*, which guide the preparation of the statistical section and is effective for fiscal periods beginning after June 30, 2005. These amendments add new information that financial statement users have identified as important and eliminates certain previous requirements. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information, to assess the economic condition of a government. The County of Orange plans to implement the new reporting requirements for fiscal year 2005-06 financial statements.

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

**P. Effects of New Pronouncements (Continued)**

In June 2004, GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" This statement addresses how state and local governments should account for and report costs and obligations related to postemployment healthcare and other nonpension benefits and is effective for fiscal periods beginning after December 15, 2006. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The County of Orange plans to implement the new reporting requirements for fiscal year 2007-08 financial statements.

In May 2004, GASB issued Technical Bulletin No. 2004-1, "*Tobacco Settlement Recognition and Financial Reporting Entity Issues.*" This Technical Bulletin addresses accounting by state and local governments in connection with settlements made by U.S. tobacco companies. The Technical Bulletin clarifies accounting guidance on whether a Tobacco Settlement Authority (TSA) that is created to obtain the rights to all or a portion of future tobacco settlement resources is a component unit of the government that created it. In addition, the Technical Bulletin clarifies recognition guidance for these transactions and for payments made to settling governments pursuant to the Master Settlement Agreement. Orange County currently does not have a Tobacco Settlement Authority.

**Q. 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.



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

**R. 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.

<b>Statement of Net Assets Line Item</b>	<b>Corresponding Governmental and Proprietary Funds' Balance Sheet or Statement of Net Assets Line Item</b>
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
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>	<u>Deficit</u>
Workers' Compensation	<u>\$ 59,914</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 mandated indemnity benefits, the impact of legislative and regulatory changes, and a trend in rising medical costs. The County will continue to review charges to departments in relationship to the IBNR and adjust them as deemed appropriate.

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### 3. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$5,479,034 as of June 30, 2004. 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 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 Pool and Educational Pool. 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 the principal invested, meeting participants' liquidity needs, attaining a money market rate of return, and attempting to stabilize at a \$1 net asset value for the County Money Market Fund and the Educational 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.

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

A. Deposits (Continued)

Total County deposits and investments at fair value as of June 30, 2004 are reported as follows:

Deposits:	
Imprest Cash	\$ 1,620
Deposit Overdraft	(78,485)
Total Cash Overdrafts	<u>(76,865)</u>
Investments:	
With Treasurer	4,989,027
With Trustee	566,872
Total Investments	<u>5,555,899</u>
Total Deposits and Investments	<u><u>\$ 5,479,034</u></u>

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

Governmental Funds	\$ 1,942,590
Component Unit	148,843
Fiduciary Funds	2,715,974
Proprietary Funds	671,627
Total Deposits and Investments	<u><u>\$ 5,479,034</u></u>

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 is more restrictive than required by California Government Code. 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 ("S & P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch Ratings ("Fitch"), with further restrictions regarding issuer size and maturity (40%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or by a state-licensed branch of a foreign bank with at least one billion dollars in assets, or the Money Market Fund may invest in U.S. dollar denominated certificates of deposit issued in London, England (Euro CD) (30%); bankers' acceptances (40%); money market funds (20%); State of California or municipal debt (10%); "AA" or better receivable-backed securities (10%); medium-term notes (30%); repurchase agreements collateralized by securities at 102% of the cost adjusted no less frequently than weekly (50%); the Money Market Fund may invest in funding agreements (10%);

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### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### External Investment Pools (Continued)

the Money Market Funds may also invest in securities lending agreements and other “eligible securities” as defined under Securities and Exchange Commission (SEC) Rule 2a-7 of the Investment Company Act of 1940 (10%). 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, 53601.7, and 53635, as applicable, (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.

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 Pool or the Educational Pool is less than \$.995 or greater than \$1.005 (in absolute dollar amount), 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 January 7, 2004, Fitch reaffirmed the Pools’ ratings of “AAA/V1+.” In April 2004, Moody’s Investor Service reaffirmed credit ratings of Aaa and MR1 market risk ratings for the County and Educational Investment Pools. The Pools are not registered with the SEC.

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, 2004, the County Pool includes approximately 7.64 percent external involuntary participant deposits for certain assessment districts and certain bond related funds for public school districts.

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

**B. Investments (Continued)**

Investment Disclosures

As of June 30, 2004, the major classes of the County's deposits and investments consisted of the following:

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
<u>With Treasurer:</u>					
<u>County Pool</u>					
U.S. Government Agencies	\$ 613,479	\$ 617,006	Discount, 1.03-6.25%	07/15/04-03/08/07	1.06
Bankers' Acceptances	29,837	29,905	Discount	08/02/04-10/01/04	0.16
Commercial Paper	966,968	967,878	Discount	07/01/04-10/08/04	0.07
Negotiable Certificates of Deposit	427,797	428,000	1.05-1.49%	07/06/04-05/04/05	0.33
Medium-Term Corporate Notes	391,470	389,939	1.30-6.875%	07/15/04-02/16/05	0.19
Other Corporate Notes	52,331	50,700	4.48%	02/22/05	0.65
Repurchase Agreements	140,000	140,000	1.61%	07/01/04	0.00
Money Market Mutual Funds	12,832	12,832	Variable	07/01/04	0.00
	<u>\$ 2,634,714</u>	<u>\$ 2,636,260</u>			<u>0.37</u> *
<u>Educational Pool</u>					
U.S. Government Agencies	\$ 835,105	\$ 837,770	Discount, 1.03-6.25%	07/01/04-03/08/07	0.66
Bankers' Acceptances	29,862	30,000	Discount	08/18/04-11/01/04	0.29
Commercial Paper	723,796	724,743	Discount	07/06/04-10/08/04	0.09
Negotiable Certificates of Deposit	244,932	245,000	1.05-1.40%	07/06/04-10/25/04	0.13
Medium-Term Corporate Notes	295,357	294,204	1.10-7.125%	07/15/04-11/08/04	0.14
Other Corporate Notes	51,608	50,000	4.48%	02/22/05	0.65
Repurchase Agreements	80,000	80,000	1.61%	07/01/04	0.00
Money Market Mutual Funds	32,344	32,344	Variable	07/01/04	0.00
	<u>\$ 2,293,004</u>	<u>\$ 2,294,061</u>			<u>0.32</u> *
<u>Specific Investments</u>					
U.S. Government Agencies	\$ 20,288	\$ 20,322	Discount, 1.31%	09/10/03-03/31/05	0.12
U.S. Treasury Notes	1,997	2,000	1.63%	03/31/05	0.75
Commercial Paper	16,728	16,750	Discount	03/02/04-09/07/04	0.09
Negotiable Certificates of Deposit	3,500	3,500	1.08-1.26%	05/14/04-07/30/04	0.06
Repurchase Agreements	1,082	1,082	6.18%	07/01/04	15.13
Money Market Mutual Funds	17,714	17,714	Variable	07/01/04	0.00
	<u>\$ 61,309</u>	<u>\$ 61,368</u>			<u>0.36</u> *

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

**B. Investments (Continued)**

Investment Disclosures (Continued)

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
<u>With Trustee:</u>					
<u>Restricted Investments with Trustee</u>					
U.S. Government Agencies	\$ 219,083	\$ 164,984	4.39-6.15%	08/20/04-09/01/16	13.60
U.S. Treasury Bonds	3,139	2,558	9%	11/15/18	14.38
U.S. Treasury Strips	8,821	6,281	0%	8/15/04-11/15/18	0.39
Guaranteed Investment Contracts	246,395	246,395	1.15-6.77%	11/1/05-07/02/26	8.49
Repurchase Agreements	218	218	0.86%	07/01/04	0.08
Money Market Mutual Funds	89,216	89,216	Variable	07/01/04	0.00
	<u>\$ 566,872</u>	<u>\$ 509,652</u>			<u>9.03</u>

\* Portfolio weighted average maturity

Interest Rate Risk

The County Treasurer manages exposure to declines in fair value by limiting the weighted average maturity of its Money Market Funds to less than 90 days and the Extended Fund to less than 18 months in accordance with the IPS. Of the \$2,634,714 County Pool and \$2,293,004 Educational Pool portfolio at June 30, 2004, over 77.28% and 84.41%, respectively of the investments have a maturity of six months or less. Of the remainder, only 11.40% and 9.5%, respectively, have a maturity of more than 1 year.

As of June 30, 2004, variable-rate notes comprised 14.38% and 9.74% of the County Pool and Educational Pool, respectively. The notes are tied to the one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value because the variable-rate coupon resets back to the market rate on a periodic basis. Effectively, at each reset date, a variable-rate investment reprices back to par value, eliminating interest rate risk at each periodic reset. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

At June 30, 2004, the weighted average maturity in years of the County Pool was 0.37 and the Educational Pool was 0.32. At the same date, the Net Asset Value (NAV) of the Money Market Funds for both pools was \$1.00 (in absolute dollar amount). The average daily investment balance of the County Pool and the Educational Pool amounted to \$2,640,000 and \$2,330,000, with an average effective yield of 1.27% and 1.20%, respectively, for the year ended June 30, 2004.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At year-end, the County's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

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

**B. Investments (Continued)**

Investments Disclosures (Continued)

Credit Risk

The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations (NRSROs). For an issuer of short-term debt, the rating must be no less than A-1 (S&P), P-1 (Moody's), or F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." As of June 30, 2004, the County's investments in commercial paper were rated A-1 by S&P, P-1 by Moody's or F-1 by Fitch.

Concentration of Credit Risk

At June 30, 2004, the County did not exceed the IPS limitations that states that 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.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2004 (NR means Not Rated):

<u>Investments</u>	<u>S &amp; P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<b><u>County Pool</u></b>				
U.S. Government Agencies	AAA	Aaa	AAA	23.28%
Bankers' Acceptances	A-1	P-1	F1	1.13%
Commercial Paper	A-1	P-1	F1	36.71%
Negotiable Certificates of Deposit	A-1	P-1	F1	16.24%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	5.16%
Corporate Notes	NR	Aa	AA	4.17%
Corporate Notes	AAA	Aaa	AAA	5.52%
Other Corporate Notes	AAA	Aaa	AAA	1.99%
Money Market Mutual Funds	AAA	Aaa	AAA	0.49%
Repurchase Agreements	NR	NR	NR	5.31%
<b>Total County Pool</b>				<b>100.00%</b>
<b><u>Educational Pool</u></b>				
U.S. Government Agencies	AAA	Aaa	AAA	36.42%
Bankers' Acceptances	A-1	P-1	F1	1.30%
Commercial Paper	A-1	P-1	F1	31.57%
Negotiable Certificates of Deposit	A-1	P-1	F1	10.68%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	5.23%
Corporate Notes	NR	Aa	AA	3.05%

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

**B. Investments (Continued)**

Investment Disclosures (Continued)

Investments	S&P	Moody's	Fitch	% of Portfolio
Corporate Notes	AAA	Aaa	AAA	4.60%
Other Corporate Notes	AAA	Aaa	AAA	2.25%
Money Market Mutual Funds	AAA	Aaa	AAA	1.41%
Repurchase Agreements	NR	NR	NR	3.49%
<b>Total Educational Pool</b>				<b>100.00%</b>
 <b><u>Specific Investments</u></b>				
U.S. Government Agencies	AAA	Aaa	AAA	33.09%
US Treasury Notes	AAA	Aaa	AAA	3.26%
Commercial Paper	A-1	P-1	F1	27.29%
Negotiable Certificates of Deposit	A-1	P-1	F1	5.71%
Repurchase Agreements	AAA	Aaa	AAA	1.76%
Money Market Mutual Funds	AAA	Aaa	AAA	28.89%
<b>Total Specific Investments</b>				<b>100.00%</b>
 <b><u>Restricted Investments with Trustees</u></b>				
U.S. Government Agencies	NR	Aaa	AAA	38.65%
U.S. Treasury Bonds	NR	Aaa	AAA	0.55%
U.S. Treasury Strips	NR	NR	NR	1.56%
Guaranteed Investment Contracts				
Investment Contracts	AAA	Aaa	AAA	27.21%
Investment Contracts	AAA	A	AAA	0.18%
Investment Contracts	AAA	A	AA	10.93%
Investment Contracts	NR	NR	NR	5.14%
Repurchase Agreement	AAA	Aaa	AAA	0.04%
Money Market Mutual Funds	AAA	Aaa	AAA	15.74%
<b>Total Restricted Investments with Trustees</b>				<b>100.00%</b>



**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, 2004:

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<b><u>Statement of Net Assets</u></b>			
Net assets held for pool participants	\$ 3,236,689	\$ 2,258,978	\$ 5,495,667
Equity of internal pool participants	\$ 2,992,830	\$ --	\$ 2,992,830
Equity of external pool participants	243,859	2,258,978	2,502,837
Total Net Assets	<u>\$ 3,236,689</u>	<u>\$ 2,258,978</u>	<u>\$ 5,495,667</u>
<b><u>Statement of Changes in Net Assets</u></b>			
Net assets at July 1, 2003	\$ 3,112,298	\$ 2,013,487	\$ 5,125,785
Net change in investments by pool participants	<u>124,391</u>	<u>245,491</u>	<u>369,882</u>
Net Assets at June 30, 2004	<u>\$ 3,236,689</u>	<u>\$ 2,258,978</u>	<u>\$ 5,495,667</u>

**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, 2004
	Balance July 1, 2003	Increases	Decreases	Adjustment	
Governmental activities :					
Capital assets not depreciated:					
Land	\$ 475,695	\$ 5,372	\$ (19)	\$ --	\$ 481,048
Construction in progress	389,746	67,613	(39,012)	--	418,347
Total capital assets not being depreciated	<u>865,441</u>	<u>72,985</u>	<u>(39,031)</u>	<u>--</u>	<u>899,395</u>
Capital assets, depreciable					
Structures and Improvements	752,403	50,233	(7,625)	36,363	831,374
Equipment	302,584	16,273	(15,395)	31	303,493
Infrastructure:					
Flood Channels	877,440	--	--	--	877,440
Roads	87,313	--	--	--	87,313
Bridges	62,464	--	--	--	62,464
Trails	32,428	--	--	--	32,428
Traffic signals	9,933	--	--	--	9,933
Harbors and Beaches	34,520	--	--	--	34,520
Capital assets, depreciable	<u>2,159,085</u>	<u>66,506</u>	<u>(23,020)</u>	<u>36,394</u>	<u>2,238,965</u>
Less accumulated depreciation for:					
Structures and Improvements	(288,846)	(23,898)	3,607	(20,459)	(329,596)
Equipment	(193,894)	(22,375)	17,142	(1,948)	(201,075)
Infrastructure:					
Flood Channels	(164,566)	(8,907)	--	--	(173,473)
Roads	(48,303)	(3,576)	--	--	(51,879)
Bridges	(15,523)	(1,248)	--	--	(16,771)
Trails	(18,408)	(958)	--	--	(19,366)
Traffic signals	(5,658)	(608)	--	--	(6,266)
Harbors and Beaches	(18,178)	(871)	--	--	(19,049)
Total accumulated depreciation	<u>(753,376)</u>	<u>(62,441)</u>	<u>20,749</u>	<u>(22,407)</u>	<u>(817,475)</u>
Capital assets, depreciable (net)	<u>1,405,709</u>	<u>4,065</u>	<u>(2,271)</u>	<u>13,987</u>	<u>1,421,490</u>
Governmental activities total capital assets, net	<u>\$ 2,271,150</u>	<u>\$ 77,050</u>	<u>\$ (41,302)</u>	<u>\$ 13,987</u>	<u>\$ 2,320,885</u>

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

**4. CHANGES IN CAPITAL ASSETS (Continued)**

	Primary Government				Balance June 30, 2004
	Balance July 1, 2003	Increases	Decreases	Adjustments	
Business-type activities:					
Capital assets not depreciated:					
Land	\$ 34,108	\$ --	\$ --	\$ --	\$ 34,108
Construction in progress	62,034	37,217	(28,689)	(7,725)	62,837
Total capital assets not being depreciated	96,142	37,217	(28,689)	(7,725)	96,945
Capital assets, depreciable					
Structures and Improvements	303,825	29,667	--	(732)	332,760
Equipment	47,026	3,982	(1,308)	--	49,700
Infrastructure	302,107	--	--	6,401	308,508
Capital assets, depreciable	652,958	33,649	(1,308)	5,669	690,968
Less accumulated depreciation for:					
Structures and Improvements	(125,262)	(11,985)	--	597	(136,650)
Equipment	(22,419)	(4,136)	1,277	--	(25,278)
Infrastructure	(112,374)	(13,624)	--	--	(125,998)
Total accumulated depreciation	(260,055)	(29,745)	1,277	597	(287,926)
Capital assets, depreciable (net)	392,903	3,904	(31)	6,266	403,042
Business-type activities total capital assets, net	<u>\$ 489,045</u>	<u>\$ 41,121</u>	<u>\$ (28,720)</u>	<u>\$ (1,459)</u>	<u>\$ 499,987</u>

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

Governmental activities:	
General Government	\$ 4,120
Public Protection	29,408
Public Ways and Facilities	9,259
Health and Sanitation	2,750
Public Assistance	3,941
Education	827
Recreation and Cultural Services	7,063
Internal Service Funds' depreciation expense allocated to various functions	5,073
Total governmental activities depreciation expense	<u>62,441</u>
Business-type activities:	
Airport	18,512
Waste Management	11,233
Total business-type activities depreciation expense	<u>29,745</u>
Total depreciation expense	<u>\$ 92,186</u>

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## 5. RECEIVABLES

GASB Statement No. 38 requires identification of receivable balances not expected to be collected within one year. The details of the receivables reported in the government-wide Statement of Net Assets that are not expected to be collected within the next fiscal year are identified below:

### Accounts Receivable

\$507 of accounts receivable for governmental activities is not expected to be received within the next fiscal year, which consists of \$87 to record underpayment of franchise fees, as well as various invoices and non-sufficient funds checks that remain in the accounts due to statute of limitation constraints.

### Deposits Receivable

\$15,679 of deposits receivable for governmental activities is not expected to be received within the next fiscal year, and consists primarily of \$5,033 in deposits with the U.S. Army Corps of Engineers for the Santa Ana River Project and deposits of \$3,012 with John Wayne Airport for the Santa Ana Heights Acoustical Insulation Program. In addition, there is \$3,395 deposited with the California Department of Transportation (CALTRANS) for bridge construction on Laguna Canyon Road and \$3,202 deposited with Southern California Edison for the same project. The remaining \$1,037 represents various cash advances, service contracts, and deposits.

### Notes Receivable

\$20,626 of notes receivable for governmental activities is not expected to be received within the next fiscal year. \$17,187 consists of loans to build affordable, low-income housing. Another \$1,812 is for construction of senior citizen housing, and the remaining \$1,627 is for other various sales and loans.

### Loans Receivable

\$1,503 of loans receivable for governmental activities is not expected to be received within the next fiscal year. Of this amount, \$1,453 represents advances to the Dana Point Harbor operators. The remaining \$50 provides operating cash for Santa Ana River Prado Dam Property Management.

### Due From Other Governmental Agencies

Of the \$264,444 due from other governmental agencies for governmental activities, \$102,314 is not expected to be received within the next fiscal year. This consists primarily of \$67,965 that the State of California owes to the County for various Senate Bill (SB) 90 mandated cost reimbursements for programs and services the State requires the County to provide. The State has deferred reimbursement to future fiscal years. The State Constitution requires reimbursement for these program costs, and interest will accrue on the reimbursement claims until they are paid. Another \$26,506 is due from the State for the motor vehicle license fee gap loan, which is required to be paid in FY 2006-07. In addition, \$1,287 is for property tax increments owed from the City of Yorba Linda arising from a contractual pass-through agreement between the County and the city's Redevelopment Agency. The other \$6,556 is comprised of various invoices to the State for a variety of County-related activities.

Of the \$3,388 due from other governmental agencies for business-type activities, \$21 relates to the SB 90 mandated cost reimbursements, and is not expected to be received within the next fiscal year.

**6. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2004 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$ 869	
	Public Library	10	
	Tobacco Settlement	5,644	
	Flood Control District	5,809	
	Harbors, Beaches, and Parks	2,791	
	Other Governmental Funds	11,383	
	Internal Service Funds	384	
	Fiduciary Funds	4,101	
	Airport	1,819	
	Waste Management	<u>3,752</u>	\$ 36,562
Roads	General Fund	79	
	Flood Control District	470	
	Harbors, Beaches, and Parks	169	
	Other Governmental Funds	72	
	Fiduciary Funds	285	
	Airport	<u>8</u>	1,083
Public Library	Other Governmental Funds	600	
	Internal Service Funds	29	
	Fiduciary Funds	<u>15</u>	644
Tobacco Settlement	Fiduciary Funds	<u>2</u>	2
Flood Control District	General Fund	128	
	Roads	506	
	Harbors, Beaches, and Parks	283	
	Other Governmental Funds	475	
	Fiduciary Funds	<u>481</u>	1,873
Harbors, Beaches, and Parks	General Fund	146	
	Roads	75	
	Flood Control District	145	
	Other Governmental Funds	4	
	Fiduciary Funds	92	
	Airport	<u>15</u>	477

**6. INTERFUND RECEIVABLES AND PAYABLES (Continued)**

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Other Governmental Funds	General Fund	\$ 40,793	
	Roads	131	
	Flood Control District	50	
	Other Governmental Funds	3,767	
	Internal Service Funds	3	
	Fiduciary Funds	914	
	Airport	2	
	Waste Management	<u>2</u>	\$ 45,662
Airport	General Fund	113	
	Fiduciary Funds	<u>64</u>	177
Waste Management	General Fund	5	
	Roads	3	
	Flood Control District	5	
	Harbors, Beaches, and Parks	1	
	Fiduciary Funds	<u>747</u>	761
Internal Service Funds	General Fund	1,125	
	Roads	8	
	Public Library	24	
	Flood Control District	6	
	Harbors, Beaches, and Parks	10	
	Other Governmental Funds	12	
	Internal Service Funds	177	
	Fiduciary Funds	289	
	Airport	12	
	Waste Management	<u>13</u>	1,676
Fiduciary Funds	General Fund	71	
	Other Governmental Funds	33	
	Internal Service Funds	153	
	Fiduciary Funds		
	Unapportioned Tax and Interest Funds		
		<u>710</u>	<u>967</u>
	Total		<u>\$ 89,884</u>

Due From/To Primary Government and Component Unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit – Children & Families Commission of Orange County	Fiduciary Funds – Agency Fund	\$ 289
Primary Government – General Fund	Component Unit – Children & Families Commission of Orange County	\$ 320
Primary Government – Internal Service Funds	Component Unit – Children & Families Commission of Orange County	\$ 1

**6. INTERFUND RECEIVABLES AND PAYABLES (Continued)**

The receivable balance from the Fiduciary Funds of \$7,700 payable to the various Governmental Funds, Proprietary Funds, Fiduciary Funds and Component Unit primarily consists of \$4,556 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 were provided to fiduciary funds, (2) the recording of those transactions in the accounting system, and (3) payments between the funds were 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 fuel corporations. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2004, approximates \$55,965.

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, 2004 are as follows:

Fiscal Years	General Fund	Flood Control District	Harbors, Beaches, and Parks	Airport	Waste Management
FY 2004-2005	\$ 57	\$ 214	\$ 7,958	\$ 30,925	\$ 368
FY 2005-2006	39	133	6,954	16,532	175
FY 2006-2007	39	131	6,750	971	175
FY 2007-2008	38	131	6,409	878	175
FY 2008-2009	37	131	6,398	878	175
	210	740	34,469	50,184	1,068
FY 2009-2014	61	524	28,740	3,797	875
FY 2014-2019	--	137	24,176	267	875
FY 2019-2024	--	--	23,245	--	350
FY 2024-2029	--	--	21,899	--	--
FY 2029-2034	--	--	20,642	--	--
FY 2034-2039	--	--	18,498	--	--
FY 2039-2044	--	--	--	--	--
FY 2044-2049	--	--	--	--	--
	61	661	137,200	4,064	2,100
Total future minimum rentals	\$ 271	\$ 1,401	\$ 171,669	\$ 54,248	\$ 3,168

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$3 (General Fund), \$60 (Flood Control District), \$155 (Harbors, Beaches, and Parks) \$23,089 (Airport) and \$42 (Waste Management) for the year ended June 30, 2004.

**8. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2004 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>			
<u>Governmental Funds</u>				
General Fund	Tobacco Settlement	\$	17	
	Refunding Bonds and Recovery		66,301	
	COPS and Debt Prepayment			
	Other Governmental Funds		56,267	
	Internal Service Funds		<u>4,278</u>	\$ 126,863
Roads	Other Governmental Funds		<u>1</u>	1
Tobacco Settlement	General Fund		29,740	
	Other Governmental Funds		<u>12,100</u>	41,840
Refunding Bonds and Recovery COPs and Debt Prepayment	General Fund		697	
	Other Governmental Funds		<u>7,103</u>	7,800
Flood Control District	General Fund		3,303	
	Other Governmental Funds		<u>1</u>	3,304
Harbors, Beaches, and Parks	Other Governmental Funds		<u>158</u>	158
Other Governmental Funds	Airport		70	
	Waste Management		2	
	Internal Service Funds		8	
	General Fund		92,267	
	Public Library		600	
	Refunding Bonds and Recovery		111	
	COPS and Debt Prepayment			
	Harbors, Beaches, and Parks		14	
	Other Governmental Funds		<u>22,549</u>	<u>115,621</u>
Total Governmental Funds			<u>\$ 295,587</u>	
<u>Proprietary Funds</u>				
Waste Management	General Fund		<u>\$ 12,227</u>	
Total Proprietary Funds			<u>\$ 12,227</u>	

**8. INTERFUND TRANSFERS (Continued)**



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 \$97,495 was transferred out from the General Fund (\$78,364), the Refunding Bonds and Recovery COPs and Debt Prepayment Fund (\$7,103), and Other Governmental Funds (\$12,028) to the debt service funds in connection with debt service payments for the various County debt covenants.
- \$29,740 was transferred from the Tobacco Settlement Fund to the General Fund to finance various health care programs. The \$12,100 transferred to Other Governmental Funds was for the Theo Lacy Jail construction.
- \$3,303 was transferred to the Watershed Management program from the Flood Control District.
- \$12,227 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 COPs Lease Financing as part of the Bankruptcy Recovery Plan.
- As part of the Bankruptcy Recovery Plan, \$4,393 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. The \$4,000 was transferred from Orange County Development Agency (OCDA) funds to the General Fund for the annual recovery contribution.
- \$31,392 was transferred from Other Governmental Funds to the General Fund for the reimbursement of various County programs as follows:
  - \$2,559 for capital projects and maintenance
  - \$28,833 for Sheriff Department programs and projects
- \$36,250 was transferred from the General Fund to the Other Public Protection group of funds for the annual transfer of Public Safety Sales Tax Excess Revenue.

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

- \$3,260 transferred from the General Fund to the Unemployment Insurance Fund for repayment of disbursements made during prior years for non-insurance related charges.
- \$1,736 was transferred from the Real Estate Development Fund to the General Fund for the sale of assets and for rents and leases of certain General Fund assets.
- \$1,345 was transferred from the Emergency Medical Services Fund (EMS) to reimburse the General Fund for EMS services.
- \$2,651 was transferred from a Community Services Fund to the General Fund for the Community Health Nursing Program.
- \$4,867 was transferred from the Facilities Development and Maintenance Fund to the General Fund to cover increased costs of IHSS provider wages and benefits.
- \$29,700 was transferred from the Designated Special Revenue Fund to the General Fund to finance County Operations.
- \$10,000 was transferred from the OCDA Santa Ana Heights 93 Bond Issue Fund to the OCDA Debt Service Fund to defease the outstanding 1993 Tax Allocation Revenue Bonds.

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## 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, 2004, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$3,599,048.

### **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.

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 COPs 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 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. Following a successful recall, Governor Schwarzenegger rescinded the VLF increase and took action to backfill the County's VLF loss. In addition, state legislation reduced the sales tax attributable to the County by 0.25% and backfilled this revenue loss with property taxes. The backfilled property taxes are pledged to secure the Recovery COPs. With the passage of Proposition 1A in November 2004, VLF rates have been reduced. However, the Recovery COPs and Recovery Bonds will remain secured by a pledge and intercept of up to \$54,000 in VLF and an additional pledge of certain property tax revenues. For more information 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 \$2,400; 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 \$1,600.

**9. LONG-TERM OBLIGATIONS (Continued)**

**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 that 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. The outstanding principal balance of these bonds as of June 30, 2004 was \$225,870.

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 fund obligations of the County, secured by certain statutory liens and payable from an intercept of VLF, certain sales taxes and the County's portion of the Countywide Adjustment Amount, to the extent there are sufficient license fees, sales tax and Countywide Adjustment Amount funds available for debt service. These VLF and sales tax revenues from unincorporated areas of the County and the Countywide Adjustment Amount, if not used to pay debt service, would otherwise be received by the County General Fund. As of June 30, 2004, the outstanding principal balance of the 1996 Recovery COPs was \$607,790.

**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 August 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, 2004, the outstanding principal amount of the Refunding COPs was \$11,604.

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**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)

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"). 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, 2004, the outstanding principal amount of the current interest NDAPP Bonds was \$932, the accreted interest on the capital appreciation NDAPP Bonds was \$126 for the year then ended, and the outstanding principal amount of the NDAPP Refunding Bonds was \$24,727.

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, 2004, the outstanding principal amount of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 was \$76,483.

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. This bond was paid off on September 3, 2003.

**9. LONG-TERM OBLIGATIONS (Continued)**

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

Tax Allocation Revenue Bonds, Series 1993 and Series 2003 (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 were secured by property tax increment revenues received by OCDA attributable to the Santa Ana Heights Project Area. On November 13, 2003, OCDA issued \$38,465 Tax Allocation Refunding Bonds Santa Ana Heights Project Area 2003 at a premium of \$1,660. The proceeds of the bonds and other available monies were used to refund and defease the outstanding 1993 Tax Allocation Revenue Bonds, fund a reserve account for the new bonds, and pay the cost of issuing the bonds. As of June 30, 2004, the outstanding principal amount of the SAHP Bonds was \$0 and the outstanding principal amount, including the unamortized premium of the SAHP Refunding Bonds, was \$40,125.

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 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, 2004, the outstanding principal amount of the Series 1994A, 1996A and 1997A Pension Bonds were \$5,000, \$64,652 and \$47,120, respectively.

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

Teeter Plan Revenue Bonds, Series 1995A through E

In June 1995, the Orange County Special Financing Authority ("the Authority") issued in the principal amount of \$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, 2004 was \$123,725.

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**9. LONG-TERM OBLIGATIONS (Continued)**

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

Lease Revenue Bonds, Series 2001 (Telecommunications Equipment Project)

In April 2001, the OCPFA issued in the principal amount of \$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, 2004, the outstanding principal amount of the Lease Revenue Bonds was \$7,660.

Airport Revenue Refunding Bonds, Series 1997 and 2003

In July 1987, the County issued in the principal amount of \$242,440 of Airport Revenue Bonds, Series 1987 ("1987 Bonds") to finance the construction of new facilities at John Wayne Airport. In July 1993, the County issued in the principal amount of \$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 in the principal amount of \$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 outstanding principal amount of 1997 and 2003 Bonds as of June 30, 2004 was \$144,984. All Airport Bonds are secured on a parity basis by a pledge of net revenues of the Airport Enterprise Fund.

Waste Management System Refunding Revenue Bonds, Series 1997

In November 1997, the OCPFA issued in the principal amount of \$77,300 Waste Management System Refunding Revenue Bonds, Series 1997, in order to refund the County of Orange, California, 1988 COPs. The Waste Management System Bonds are secured by a pledge of (1) the net operating revenues; (2) all money, securities and funds in the Waste Management Enterprise Fund that are required to be held or set aside therein for any purpose other than the payment of operating expenses pursuant to the terms of the sublease, but excluding any such money, securities and funds in the (i) closure account or any other fund or account required pursuant to state or federal law to be held in trust, (ii) environmental account in an amount not exceeding \$50,000, (iii) 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, 2004 was \$56,398.

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, 2004, \$20,550 of legally defeased debt remains outstanding.

**9. LONG-TERM OBLIGATIONS (Continued)**

**Fiscal Year 2003-04 Debt Obligation Activity**

During FY 2003-04, the following event concerning County debt obligations took place:

**Tax Allocation Refunding Bonds, Series 2003 (Santa Ana Heights Project Area)**

On November 13, 2003, OCDA issued in the principal amount of \$38,465 Tax Allocation Refunding Bonds Santa Ana Heights Project Area 2003 at a premium of \$1,660. The proceeds of the bonds and other available monies were used to (1) refund and defease the outstanding 1993 Tax Allocation Revenue Bonds at a redemption price equal to 102% of the aggregate principal amount, (2) fund a reserve account for the new bonds, and (3) pay all the cost 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 \$1,833. This difference is reported as a deferred amount on refunding of SAHP Refunding Bonds. The current year amortization amount for the deferred amount on refunding is \$46 leaving an ending balance of \$1,787. The refunding resulted in a reduction of debt service payments over the next 20 years by \$25,025 and obtained an economic gain of \$5,256. The SAHP Refunding Bonds are secured by a pledge of tax revenues allocated and paid to OCDA attributable to the Santa Ana Heights Project Area. As of June 30, 2004, the outstanding principal amount, including the unamortized premium of the SAHP Refunding Bonds, was \$40,125.

**Schedule of Long-Term Debt Obligations, Fiscal Year 2003-04**

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2004 were as follows:

Description	Balance July 1, 2003	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2004	Amounts Due within One Year
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**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.	\$ 240,110	\$ --	\$ (14,240)	\$ 225,870	\$ 15,165

**Orange County Public Facilities  
 Corporation, 1996 Recovery  
 Certificates of Participation - Series 1996 A:**

Date Issued: June 12, 1996					
Interest Rate: 4.20% to 6.00%					
Original Amount: \$760,800					
Maturing in installments through July 1, 2026.	633,450	--	(25,660)	607,790	26,965

**9. LONG-TERM OBLIGATIONS (Continued)**

**Schedule of Long-Term Debt Obligations, Fiscal Year 2003-04 (Continued)**

Description	Balance July 1, 2003	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2004	Amounts Due within One Year
<b><u>Orange County Public Facilities Corporation, Refunding Certificates of Participation (Civic Center Parking Facilities Project):</u></b>					
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.					
	13,959	--	(2,355)	11,604	2,520
<b><u>Orange County Financing Authority Tax Allocation Revenue Bonds - Series 1992 A (Neighborhood Development and Preservation Project):</u></b>					
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	332
<b><u>Orange County Development Agency Tax Allocation Refunding Bonds - Series 2001 (Neighborhood Development and Preservation Project):</u></b>					
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.					
	25,712	(20)	(965)	24,727	287
Deferred Amount on Refunding	(1,097)	55	--	(1,042)	(55)



**9. LONG-TERM OBLIGATIONS (Continued)**

**Schedule of Long-Term Debt Obligations, Fiscal Year 2003-04 (Continued)**

Description	Balance July 1, 2003	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2004	Amounts Due within One Year
<b><u>Orange County Public Financing Authority</u></b>					
<b><u>Juvenile Justice Center Facility Lease</u></b>					
<b><u>Revenue Refunding Bonds - Series 2002:</u></b>					
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.	80,173	(40)	(3,650)	76,483	3,771
Deferred Amount on Refunding	(3,500)	219	--	(3,281)	(219)
<b><u>Orange County Public Facilities</u></b>					
<b><u>Corporation Revenue Bonds</u></b>					
<b><u>Master Lease Program:</u></b>					
Date Issued: February 1, 1993					
Interest Rate: 3.40% to 5.50%					
Original Amount: \$24,780					
Maturing in installments through September 1, 2003.	1,605	--	(1,605)	--	--
<b><u>Orange County Development Agency</u></b>					
<b><u>Santa Ana Heights Project Area</u></b>					
<b><u>1993 Tax Allocation Revenue Bonds:</u></b>					
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.	49,560	--	(49,560)	--	--
<b><u>Orange County Development Agency</u></b>					
<b><u>Santa Ana Heights Project Area 2003</u></b>					
<b><u>Tax Allocation Refunding Bonds:</u></b>					
Date Issued: November 13, 2003 to refund prior August 1, 1993 bond issue					
Interest Rate: 2.00% to 5.25%					
Original Amount: \$38,465					
Maturing in installments through September 1, 2023.	--	40,125	--	40,125	1,658
Deferred Amount on Refunding	--	(1,787)	--	(1,787)	(92)

**9. LONG-TERM OBLIGATIONS (Continued)**

**Schedule of Long-Term Debt Obligations, Fiscal Year 2003-04 (Continued)**

Description	Balance July 1, 2003	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2004	Amounts Due within One Year
<b><u>County of Orange Taxable Pension</u></b>					
<b><u>Obligation Bonds – Series 1994 A:</u></b>					
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	--	(4,000)	5,000	5,000
<b><u>County of Orange</u></b>					
<b><u>Taxable Refunding Pension</u></b>					
<b><u>Obligation Bonds – Series 1996 A:</u></b>					
Date Issued: June 1, 1996 – Current Interest Rate Bonds (CIB)					
Date Issued: June 12, 1996 – Capital Appreciation Bonds (CAB)					
To refund prior September 1, 1994 bond issue.					
Interest Rate: CIB – 7.47% to 7.72%					
Interest Rate: CAB – 8.09% to 8.26%					
Original Amount: CIB - \$81,680					
Original Amount: CAB - \$40,000					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).					
	64,652	--	--	64,652	--
<b><u>County of Orange</u></b>					
<b><u>Taxable Refunding Pension</u></b>					
<b><u>Obligation Bonds – Series 1997 A:</u></b>					
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).					
	47,120	--	--	47,120	--
<b><u>Orange County Special Financing Authority</u></b>					
<b><u>Teeter Plan Revenue Bonds -</u></b>					
<b><u>Series A through E:</u></b>					
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.					
	123,725	--	--	123,725	--

**9. LONG-TERM OBLIGATIONS (Continued)**

**Schedule of Long-Term Debt Obligations, Fiscal Year 2003-04 (Continued)**

Description	Balance July 1, 2003	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2004	Amounts Due within One Year
<b><u>Orange County Public Financing Authority, Telecommunications Equipment Project Lease Revenue Bonds - Series 2001:</u></b>					
Date Issued: April 1, 2001					
Interest Rate: 4.00%					
Original Amount: \$10,330					
Maturing in installments through Dec 15, 2008.	9,020	--	(1,360)	7,660	1,415
<b>Subtotal - Governmental Funds</b>	<b>1,294,421</b>	<b>38,552</b>	<b>(103,395)</b>	<b>1,229,578</b>	<b>56,747</b>
<b><u>Enterprise Funds:</u></b>					
<b><u>Airport Revenue Refunding Bonds - Series 1997:</u></b>					
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.	100,718	(210)	(8,110)	92,398	8,733
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(2,648)	769	--	(1,879)	(654)
<b><u>Airport Revenue Refunding Bonds - Series 2003:</u></b>					
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	(300)	--	52,586	2,732
Deferred Amount on Refunding (2003 Airport Revenue Bonds)	(10,827)	773	--	(10,054)	(1,304)

**9. LONG-TERM OBLIGATIONS (Continued)**

**Schedule of Long-Term Debt Obligations, Fiscal Year 2003-04 (Continued)**

Description	Balance July 1, 2003	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2004	Amounts Due within One Year
<b>Orange County Public Financing Authority</b>					
<b><u>Waste Management System Refunding</u></b>					
<b><u>Revenue Bonds - Series 1997:</u></b>					
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.					
	60,663	(185)	(4,080)	56,398	4,467
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(3,780)	614	--	(3,166)	(621)
<b>Subtotal - Enterprise Funds</b>	<u>197,012</u>	<u>1,461</u>	<u>(12,190)</u>	<u>186,283</u>	<u>13,353</u>
<b>Total</b>	<u>\$1,491,433</u>	<u>\$ 40,013</u>	<u>\$ (115,585)</u>	<u>\$ 1,415,861</u>	<u>\$ 70,100</u>

**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	
2005	\$ 15,060	\$ 10,085	\$ 57,077	\$ 73,107	\$ 155,329
2006	16,015	9,282	64,853	74,107	164,257
2007	16,880	8,403	65,141	71,206	161,630
2008	17,795	7,456	75,692	67,089	168,032
2009	18,790	6,458	64,766	63,433	153,447
2010-2014	91,570	16,136	314,448	315,999	738,153
2015-2019	20,190	2,612	307,109	223,754	553,665
2020-2024	--	--	171,517	86,325	257,842
2025-2029	--	--	110,040	10,159	120,199
<b>Total</b>	<u>196,300</u>	<u>60,432</u>	<u>1,230,643</u>	<u>985,179</u>	<u>2,472,554</u>
Add: Premium	5,082	--	5,045	--	10,127
Less: Deferred amount on refunding	(15,099)	--	(6,110)	--	(21,209)
<b>Principal Payable, Net</b>	<u>\$ 186,283</u>	<u>\$ 60,432</u>	<u>\$ 1,229,578</u>	<u>\$ 985,179</u>	<u>\$ 2,461,472</u>

**9. LONG-TERM OBLIGATIONS (Continued)**

**Changes in Long-Term Liabilities:**

Long-term liability activities for the year ended June 30, 2004 were as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and COPs Payable:					
Revenue bonds	\$ 287,282	\$ 38,465	\$ (57,140)	\$ 268,607	\$ 7,427
Certificates of participation	647,409	--	(28,015)	619,394	29,485
Pension obligation bonds	120,772	--	(4,000)	116,772	5,000
Recovery bonds	240,110	--	(14,240)	225,870	15,165
Add: Premium on bonds payable	3,445	1,660	(60)	5,045	36
Less: Deferred amount on refunding	(4,597)	(1,833)	320	(6,110)	(366)
Total Bonds & COPs Payable, Net	<u>1,294,421</u>	<u>38,292</u>	<u>(103,135)</u>	<u>1,229,578</u>	<u>56,747</u>
Interest on Capital Appreciation Bonds	62,108	11,447	--	73,555	--
Other long-term liabilities:					
Compensated employee absences payable	148,169	108,531	(110,601)	146,099	79,144
Arbitrage rebate payable	23	11	--	34	--
Pool participant claims	2,400	--	(800)	1,600	800
Capital lease obligations payable	58,233	18,142	(4,663)	71,712	4,402
Insurance claims payable	112,141	110,797	(95,104)	127,834	55,751
Total other long-term liabilities	<u>320,966</u>	<u>237,481</u>	<u>(211,168)</u>	<u>347,279</u>	<u>140,097</u>
<b>Total Governmental Activities Long-term Liabilities</b>	<u>\$ 1,677,495</u>	<u>\$ 287,220</u>	<u>\$ (314,303)</u>	<u>\$ 1,650,412</u>	<u>\$ 196,844</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 208,490	\$ --	\$ (12,190)	\$ 196,300	\$ 15,060
Add: Premium on bonds payable	5,777	--	(695)	5,082	872
Less: Deferred amount on refunding	(17,255)	--	2,156	(15,099)	(2,579)
Total Revenue Bonds Payable, Net	<u>197,012</u>	<u>--</u>	<u>(10,729)</u>	<u>186,283</u>	<u>13,353</u>
Other long-term liabilities:					
Compensated employee absences payable	4,516	3,653	(3,519)	4,650	2,165
Arbitrage rebate payable	31	57	--	88	--
Landfill site closure/postclosure liabilities	181,221	1,173	(9,737)	172,657	3,025
Total other long-term liabilities	<u>185,768</u>	<u>4,883</u>	<u>(13,256)</u>	<u>177,395</u>	<u>5,190</u>
<b>Total Business-type Activities Long-term Liabilities</b>	<u>\$ 382,780</u>	<u>\$ 4,883</u>	<u>\$ (23,985)</u>	<u>\$ 363,678</u>	<u>\$ 18,543</u>

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**9. LONG-TERM OBLIGATIONS (Continued)**

**Compensated Employee Absences**

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2004 is \$146,099 compared with \$148,169 at June 30, 2003. The decreased balance is primarily due to a reduction in the number of employees, due in part to the hiring freeze on vacant positions. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

**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, 2004, amounted to \$765,089.

**10. CONDUIT DEBT OBLIGATIONS**

From 1980 through 2004 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.

**10. CONDUIT DEBT OBLIGATIONS (Continued)**

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, 2004, there were 91 series of bonds outstanding, with an aggregate principal amount payable of \$1,078,086.

**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>
2005	\$ 20,807	\$ 27,963	\$ 48,770
2006	12,222	27,084	39,306
2007	6,569	22,933	29,502
2008	3,459	22,319	25,778
2009	--	15,424	15,424
2010-2014	--	54,120	54,120
2015-2019	--	14,715	14,715
Total	<u>\$ 43,057</u>	<u>\$ 184,558</u>	<u>\$ 227,615</u>

Total rent expenditures for operating leases incurred for FY 2003-04 was \$48,312.

Capital Leases

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

Land	\$ 13,810
Equipment	4,437
Less: Accumulated Depreciation	(1,541)
Structures and Improvements	73,291
Less: Accumulated Depreciation	(10,936)
Total	<u>\$ 79,061</u>

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30</u>	
2005	\$ 10,520
2006	10,670
2007	10,059
2008	10,169
2009	10,327
2010-2014	35,169
2015-2019	23,199
2020-2024	13,936
2025-2027	1,910
Total minimum lease payments	<u>125,959</u>
Less: amount representing interest	<u>(54,247)</u>
Present value of net minimum lease payments	<u>\$ 71,712</u>

**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, 2004 are reserved for the following purposes:

	General Fund	Roads	Public Library	Refunding Bonds & Recovery COPs and Debt Prepayment	Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Fiduciary Funds
<b>Assets Not Available for Appropriations:</b>								
Encumbrances	\$ 67,548	\$ 36,091	\$ 690	\$ --	\$ 17,788	\$ 10,750	\$ 16,035	\$ --
Long-term Receivables	1,719	--	--	--	--	--	13,870	--
Imprest Cash Funds	1,247	--	53	--	--	--	13	--
Employee's Retirement	--	--	--	--	--	--	--	9,653
Inventory of Materials and Supplies	295	91	--	--	210	106	400	--
Prepaid Costs	52	--	--	--	--	--	1,031	--
Land and Improvements Held for Resale	--	--	--	--	--	--	1,703	--
Debt Service	--	--	--	146,503	--	--	358,104	--
Private Purpose Trust	--	--	--	--	--	--	--	47,404
External Investment Pools	--	--	--	--	--	--	--	2,502,837
<b>Fund Balances Reserved by Board of Supervisors for a Future Purpose:</b>								
Equipment Replacement	--	10,144	--	--	484	1,757	--	--
Equipment Purchase (New)	--	--	--	--	--	--	1,413	--
Administration Fees	--	--	--	--	--	--	6,046	--
Loans	100	--	--	--	--	1,453	18,085	--
Land Purchase	--	--	--	--	17,946	70	--	--
Operations	200	--	--	--	--	--	21,245	--
Future Road Projects	--	57,667	--	--	--	--	--	--
Library Contingencies	--	--	2,017	--	--	--	--	--
Capital Projects	--	--	--	--	104,042	8,807	932	--
General Reserves	--	42	--	--	12,609	7,204	15,281	--
Cash Difference Funds	9	--	--	--	--	--	--	--
Contingencies	18,000	--	--	--	--	--	11,325	--
Revitalization Projects	--	--	--	--	--	3	12,250	--
Operations - Strategic Priorities	90,016	--	--	--	--	--	--	--
Reserved Fund Balances/Net Assets	\$ 179,186	\$ 104,035	\$ 2,760	\$ 146,503	\$ 153,079	\$ 30,150	\$ 477,733	\$ 2,559,894

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.



### **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 in 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 \$1,400 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, 2004 was \$172,657, 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 (35.60%), 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 \$160,306 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 2004 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, 2004, \$170,478 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.

**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, 2004, 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		
	Juvenile Hall (60 bed expansion construction costs)	\$ 4,735
	Juvenile Hall (Replacement of three existing housing units)	15,009
	Sheriff-Coroner – Euro Helicopter Model AS350 B-2	2,289
	Subtotal	22,033
Roads		
	Foothill Circulation Phasing Plan	
	-Alton-Irvine Boulevard to Foothill Transportation Corridor	1,624
	Laguna Canyon Road	
	-State Route 73 to Interstate 405	18,721
	Subtotal	20,345
Flood Control District		
	Huntington Beach Channel	
	- Indianapolis to Adams	5,739
	- Atlanta to Indianapolis	2,309
	Subtotal	8,048
Other Governmental Funds		
	Theo Lacy Jail Construction	1,172
	Sewer Improvements	2,733
	Vehicles - Public Protection	1,311
	Subtotal	5,216

**14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)**

<u>Business-type Activities:</u>	<u>Project Title</u>	<u>Remaining Commitments</u>
Airport		
	Fire Station #33 Remodel	6,730
	Electric Generation Plant	2,461
	Airport Rescue & Fire Fighting Vehicle	1,024
	Subtotal	<u>10,215</u>
Integrated Waste Management		
	Frank R. Bowerman Phase VIIA Construction - Equipment Maintenance Facility	3,427
	Linda Lower East Drainage Channel Construction	1,396
	Prima Zone 1 & 4 Permits Design Master Plan Update	1,329
	Subtotal	<u>6,152</u>
	Total	<u>\$ 72,009</u>

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

The COE's estimated combined cost of all project components is \$1,400,000, with the OCFCD's cost share estimated to be \$413,000 for acquisition of real property rights, relocation (of roads, bridges, trails, and utilities), environmental mitigation, and cash contributions for construction. As of June 2004, the OCFCD has expended about \$232,000 on the Project. The construction of Seven Oaks Dam and most of the channel improvements in Riverside, San Bernardino and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) is complete. Construction to raise the Prado Dam embankments and install new outlet gates is underway. Construction of improvements and protection of SR 91 in the SAR Canyon is also underway. Several environmental mitigation studies and restoration and preservation projects are underway in all three counties. All property rights acquisition for the Seven Oaks Dam, along the lower SAR in Orange County up to Weir Canyon Road, are completed. Since approval of the PCA in February 2003, the OCFCD is actively acquiring property rights, subject to the availability of funding for the Project.

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**14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)**

The Project has been authorized by the State Legislature for reimbursement of up to 70 percent of the local sponsors' expenses through the State Flood Control Subvention Fund, administered by the Department of Water Resources (DWR). To date, the OCFCD has submitted \$137,000 in claims and received \$121,000 in reimbursements. An additional \$25,000 in claims have been or are in the process of being prepared for submittal to the DWR. Once a claim is reviewed and approved by the DWR, 90 percent of the eligible expenditures can be paid if funds are available, with the remaining 10 percent paid after an audit by the State Controller's Office. 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.

At this time, the OCFCD will not have sufficient funds to meet its entire cost share obligation for the Project primarily due to the rapid escalation in real estate costs and due to relocations and mitigation expenses that were not initially or fully contemplated in the COE's estimates. Therefore, reimbursements on past expenses through the State Flood Control Subvention Program are critical for project completion.

**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 \$40,000 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.

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

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.

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 2002-03	71,705	21,453	11,581	104,739
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	\$ 83,240	\$ 16,756	\$ 12,145	\$ 112,141
Claims and Changes in Estimates	39,754	9,180	61,863	110,797
Claim Payments	(27,232)	(8,219)	(59,653)	(95,104)
Unpaid Claims, End of FY 2003-04	\$ 95,762	\$ 17,717	\$ 14,355	\$ 127,834

The workers' compensation costs continue to increase due to mandated indemnity benefits, the impact of legislative and regulatory changes, and a trend in rising medical costs. In April 2004 Workers' Compensation reform legislation was approved to assist in reducing costs. Many of the measures within the legislation will not be implemented by the state until the early part of 2005, at which time costs should level or be reduced.

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## 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 either in the process of implementing or have started implementing the landfill gas mitigations required by the LEA. 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. 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. It is possible that the County could incur significant costs if the courts rule against the County. Listed below are those refuse disposal stations with potential claims or regulatory actions against the County.

- Sparkes Pit/Rains Disposal Station #18, City of Anaheim – Potential Litigation
- Coyote Canyon Landfill, The Irvine Company – Pending Litigation
- Forster Refuse Disposal Station #17, Private Owner – Potential Litigation
- Cannery Street Refuse Disposal Station #16, City of Huntington Beach – Notice of Intent to Sue
- San Joaquin Refuse Disposal Station #13, University of California, Irvine — Actively Negotiating Resolution

Barratt American Incorporated, et al., v. County of Orange (Orange County Superior Court Case No. 814037) Plaintiff alleges the County overcharged 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 monetary damages.

A second phase of trial took place on August 17, 2001. The court ruled that plaintiffs cannot challenge in state court an approximately \$2,500 allocation of investment pool loss approved by the United States Bankruptcy Court in the Orange County Bankruptcy proceedings. The court further ruled against the plaintiffs on their claim that the Office of Management and Budget A-87 controls the County's discretion on how to disperse the surplus. The court also ruled against the plaintiffs on their claim that the County cannot maintain a reserve balance in the surplus funds. At this time, it is not possible to reasonably estimate the likely outcome of the matter.

On March 26, 2001 and on July 1, 2003, plaintiff filed two new complaints (Orange County Superior Court Cases No. 01CC04025 and No. 03CC00235 respectively) against the County claiming that the County overcharged and continues to overcharge on its building permits and inspection services since 1992. The new complaints are similar to the former complaint except that the new complaints challenge the enactment of a fee reduction ordinance enacted by the County early in 2001 and 2003. The County denies the allegations and intends to defend itself in court against the complaint. For Case No. 01CC04025, refer to Note 20, Subsequent Events. No trial date has been set for Case No. 03CC00235.

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

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 Court of Appeals reversed that ruling and held that the recapturing methodology was lawful. The California Supreme Court refused to hear the case. The appellate court ruling is now final.

Bezaire/Pool, et al.v. County of Orange On March 26, 2004, the Court of Appeal reversed the Superior Court ruling and held that the Assessor's reading of Proposition 13 was correct. The Court of Appeal agreed that declines in assessed values do not create new assessment base years for Proposition 13 purposes. Under Proposition 8's 1978 amendments to Proposition 13, assessors have reduced taxable values for real property where the property's market value is below its Proposition 13 value. Once the property's market value exceeds the Proposition 13 value, the Proposition 13 value again becomes the taxable value for the property. Renee M. Bezaire and Robert A. Pool, wife and husband, requested the Supreme Court to review the case, but on July 21, 2004, the Supreme Court denied the request for review and ruled in favor of the County. The case has been finalized.

William B. Bunker, etc., et al.v. County of Orange Plaintiff contends that the County has consistently violated the statute requiring the Assessment Appeals Board ("AAB") to hear and finally determine applications for change in property tax assessments within two years. According to the statute, if the applications are not finally determined by the AAB within two years, the taxpayers' opinions of value as stated in their applications must be adopted. The plaintiff seeks an order on behalf of himself and all similarly situated taxpayers whose applications were not finally determined within two years requiring that the County give notice to each of these taxpayers that they have overpaid their taxes. The taxpayers would then have one year to file a claim for property tax refunds.

The Court of Appeal reversed the trial court's ruling, which the County initially prevailed upon demurrer at the trial court level. The Court of Appeal held that the County is required to give notice under Revenue and Taxation Code section 1604(c). The Court of appeal subsequently denied the County's Petition for Rehearing on the issue of the court's opinion addressing Revenue and Taxation Code section 1604(e).

Since the amount of the liability depends upon the number of taxpayers entitled to notice, the number of taxpayers filing claims for refunds and the amount of such claims, the County is unable to estimate potential liability in this matter. However, the total liability to the County, including attorney's fees, could exceed \$2,000. The County's attorneys are currently in settlement discussions with plaintiff, and will be presenting a settlement proposal to the Board of Supervisors in the near future. An estimated \$2,000 liability has been accrued in the government-wide financial statements. The class settlement has been approved by the court and a claims administrator has been retained to handle claims.

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

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 at any of its current or former refuse disposal stations, even if the County no longer owns the site. IWMD has completed preliminary environmental site assessments for the former refuse disposal stations. On the basis of information currently available to management, IWMD management believes it has sufficient reserves for known and anticipated remediation costs.

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

HCA is currently under investigation by federal authorities for potential civil fraud and False Claims Act violation in connection with its Medicare billings for mental health services. The investigation is being directed by the United States Attorney's Office for the Central District of California, working in conjunction with Office of the Inspector General for the Department of Health and Human Services ("OIG"). 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.



## **17. OTHER CONTINGENCIES (Continued)**

HCA is currently engaged in settlement discussions with the federal government, which are ongoing. 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 likely penalties and/or other costs that the County may be required to pay and no amounts have been accrued in the basic financial statements.

## **18. RETIREMENT PLANS**

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

Plan Description Substantially all County employees participate in the Orange County Employees Retirement System ("OCERS," or the "System"), a cost-sharing multiple-employer public employee retirement system established in 1945 by the voters of Orange County under the County Employees' Retirement Law of 1937. The employees of several other smaller units of local government also participate in the System and account for approximately 17% of the active and retired System membership. All together there are 16 employers in the System.

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 is governed by a Board of Retirement consisting of nine regular and one alternate member. Four Retirement Board members are appointed by the Board of Supervisors, three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is a statutory member. OCERS issues a stand-alone annual financial report each year ending December 31. OCERS' annual financial report can be obtained online at [www.ocers.org](http://www.ocers.org), in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701 or by calling (714) 558-6200.

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 2003-04, employer's contributions, as a percentage of covered payrolls, were 9.15% for General members, 37.87% for Safety-Law Enforcement members and 8.57% for Safety-Probation members. 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.

**18. RETIREMENT PLANS (Continued)**

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

Funding Policy (Continued)

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. Refer to Note 20 (Subsequent Events) for updated information on retirement benefits. 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' financial report for the year ended December 31, 2003, the County's 2003 contribution represented 83% 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 provided for the Investment Account to be used to fund the County's entire employer contribution in a decreasing percentage each year. In August 2002, the System Retirement Board and the Board of Supervisors approved a new agreement that gives the County complete discretion, subject to a notice requirement, over how much of the total annual retirement contribution will be paid from the Investment Account. The balance of the Investment Account on June 30, 2004, after draws of \$33,309 in 2003-04 to pay for part of the County's annual retirement contribution and credits for market returns, was \$146,753.

Because of a large increase in the Unfunded Actuarial Accrued Liability, the County's cash contribution was \$114,847, approximately 78% 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
06/30/02	\$ --	\$ 38,322	\$ 38,322	100%
06/30/03	59,801	37,804	97,605	100%
06/30/04	114,847	33,309	148,156	100%

## **18. RETIREMENT PLANS (Continued)**

### **County of Orange 401(a) Plan**

Plan Description Effective January 1999, as amended and restated on March 1, 2002, the County established the County of Orange 401(a) Plan for the benefit of eligible employees, including members of the Board of Supervisors, certain executive managers, administrative managers included in the Executive Policy Unit, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document. The plan is intended for retirement and funds may not be withdrawn until participants have separated from the County. The plan benefits for a participant who separates from service with the County or retires on or after the normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2004, the plan has 704 participants.

Funding Policy This plan is a defined contribution plan funded entirely by employer contributions. County contributions to the plan vary according to employee classification and range from \$100 per month to 6% of bi-weekly compensation. Additional County contributions equal to 1.5% of compensation are made on behalf of certain employees electing not to participate in OCERS. Total contributions for the year ended June 30, 2004, were \$1,035 by the County and zero by the employees. A third-party custodian holds all plan assets in trust. Plan participants self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2004, the value of plan assets was \$3,182.

### **Extra Help Employees**

The County provides retirement plans for extra-help employees and part-time employees working less than 20 hours a week. The plans were adopted to comply with the Omnibus Budget Reconciliation Act of 1990. Eligible employees of these plans 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 Extra Help Employee Deferred Compensation Plan replaced the Defined Benefit Retirement Plan and was effective for new employees hired on or after 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 65<sup>th</sup> 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, 2004, the plan consists of 331 active plan participants, 1,653 terminated plan participants entitled to but not yet receiving benefits, and 15 retirees receiving benefits.

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**18. RETIREMENT PLANS (Continued)**

**Defined Benefit Retirement Plan (Continued)**

Plan Description (Continued)

The plan 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.F and are fully invested in the County Pool as described in Note 3. The plan has not issued separate stand-alone financial statements.

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

- Normal cost
- Minus employee contribution
- Plus 30-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, 2004 disclosure, the plan's annual pension cost was calculated using the data and assets as of June 30, 2004 and the methodologies set forth in the July 1, 2004 actuarial valuation report.

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 July 1, 2003, interest on the net pension obligation is \$24.

**18. RETIREMENT PLANS (Continued)**

**Defined Benefit Retirement Plan (Continued)**

Annual Pension Cost (Continued)

For the fiscal year ended June 30, 2004, the County's annual required contribution was \$336. The required contribution was determined as part of the July 2003 actuarial 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.

Orange County Defined Benefit Retirement Plan  
 Schedule of Funding Progress

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)
06/30/00	\$ 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%
06/30/04	\$ 4,707	\$ 8,124	\$ 3,417	57.9%	\$ 9,306	36.7%

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

\*\*June 30, 2003 Actuarial Accrued Liability based on June 30, 2002 valuation results rolled forward one year.

\*\*\*June 30, 2003 covered payroll is based on June 30, 2002 valuation results rolled forward one year using salary scale assumption of 4.0%

Schedule of Employer Contributions

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2000	\$ 2	0%	\$ 28
2001	\$ 73	0%	\$ 101
2002	\$ 65	0%	\$ 166
2003	\$ 275	0%	\$ 441
2004	\$ 330	0%	\$ 771

**18. RETIREMENT PLANS (Continued)**

**Defined Benefit Retirement Plan (Continued)**

Annual Pension Cost (Continued)

The annual pension cost and net pension obligation for the current year were as follows:

	06/30/03	06/30/04
Annual required contribution	\$ 277	\$ 336
Interest on net pension obligation	9	24
Adjustment to annual required contribution	(11)	(30)
Annual pension cost	275	330
Contributions made	--	--
Increase in net pension obligation	275	330
Net pension obligation, beginning of year	166	441
Net pension obligation, end of year	441	771

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

**Extra Help Deferred Compensation Plan**

Plan Description On March 1, 2002, the County adopted a Defined Contribution Plan, the Extra Help Employees Deferred Compensation Plan, to replace the Defined Benefit Retirement Plan for extra-help employees and part-time employees working less than 20 hours per week. This plan is a tax-deferred retirement plan, established in accordance with Internal Revenue Code sections 457 and 3121 and is intended to comply with the Omnibus Budget Reconciliation Act of 1990. Eligible employees of this plan are not covered by OCERS. As of June 30, 2004 there were 1,175 participants in the plan.

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

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee, or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's 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 GWFS Equities, Inc. (formerly BenefitsCorp Equities, Inc.), which is designed to protect principal and maximize earnings. There is no additional contribution made by the County. Total contributions for the year ended June 30, 2004, were \$680 by the employees and zero by the County.

Annual Pension Cost There are no separate recordkeeping or administrative fees charged to the participants. The investment management fee charged by GWFS 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**

Plan Description Eligible retired County employees receive a monthly grant which offsets the cost of monthly health plan premiums. The grant amount is determined by a formula which multiplies a set base number by the number of years of County employment (up to a maximum of 25 years) resulting in a monthly grant amount. The set base number for calendar year 2004 is \$14.92 (in absolute dollar amount). Therefore, the maximum monthly grant amount for calendar year 2004 is \$373 (in absolute dollar amount). The set base number is adjusted annually based on a medical inflation index, with a maximum increase of five percent. Retired employees pay for health plan premiums which exceed their grant amount, if any. For FY 2003-2004, the Plan contributed \$14,180 in Retiree Medical Grants for retiree health premium costs.

The County of Orange Board of Supervisors approved the post employment health care benefits on August 1, 1993 for retired employees meeting the eligibility requirements set forth within the Retiree Medical Plan Document (the Plan).

Funding Policy The Plan is currently funded by a combination of current employees' 1% payroll deduction and funds set aside and identified within the Orange County Employees Retirement System (OCERS). The source of the funds within OCERS is investment earnings that exceed the assumed actuarial rate of return. Currently, there are no direct County contributions toward this plan. Due to several years of realized gains on OCERS' assets of less than the assumed actuarial rate of return, excess reserves have been depleted and a fund set aside for interim funding of the Plan, the Retiree Member Benefit Reserve (RMBR), is being used for that purpose.

Revised Agreement In August 2004, the County of Orange Board of Supervisors and the OCERS Board approved an amended and restated Additional Retiree Benefit Account (ARBA) agreement (the Agreement) which, among other things, revised the funding of the Plan in cases when excess reserves from OCERS are not available. Under the new Agreement, if the funding level for RMBR is less than the projected two years' funding level, and there are no excess reserves in OCERS, the County will increase retirement rates to the lesser of the amount required to bring RMBR to a two year funding level or one percent of General Fund payroll.

Actuarial Valuation In August 2004, the County received an actuarial valuation for Post Employment Medical Benefits ("the Report") from an outside consultant. Information contained in the Report was not intended to be used for financial reporting under the provisions of GASB Statement No. 45, as different actuarial assumptions and or methods may be appropriate (Refer to Note 1.P for additional information on GASB Statement No. 45). One of the assumptions of the Report was that there would never be excess earnings in OCERS which would offset the cost of the Plan. Also, included in the liabilities for retiree medical benefits is the value of the subsidy provided to retirees by extending medical benefits to retirees at the same rate charged to active employees. The estimate is that retiree premiums would be 43% higher if retirees were not in the County group medical coverage plans. The total estimated actuarial liability is \$1,300,000.

**19. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Retiree Medical Benefit Liabilities are as follows:

	<u>Number</u>	<u>Actuarial Liability for Past Service</u>
Current Retirees	5,205	\$ 452,023
Actives Eligible to Retire	3,943	435,385
Other Actives	<u>14,155</u>	<u>441,591</u>
Total	<u>23,303</u>	<u>\$ 1,328,999</u>

	<u>Severance Benefit</u>	<u>Retire Medical Benefit</u>	<u>Total Retiree Medical Program</u>
Actuarial Liability for Past Service	\$ 15,095	\$ 1,328,999	\$ 1,344,094
Plan Assets	<u>15,095</u>	<u>87,162</u>	<u>102,257</u>
Unfunded Liability for Past Service	<u>\$ -</u>	<u>\$ 1,241,837</u>	<u>\$ 1,241,837</u>
Total Annual Cost	<u>\$ 2,167</u>	<u>\$ 99,941</u>	<u>\$ 102,108</u>

-As level percent of pay over 30 years

County Plans For the Future In August 2004, the Board of Supervisors directed County staff to form a Retiree Medical Insurance Panel to address the variety of issues concerning the Plan, including the current structure of the program and associated costs. For the immediate future, the County intends to fund the Plan on a pay-as-you-go basis.

**20. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2004:

State of California Budget Impact on County of Orange

The Governor signed the FY 2004-05 State Budget on July 31, 2004. The spending plan addresses budget shortfalls through program savings, borrowing, funding shifts, and local government contributions. The State's combined FY 2002-03 and FY 2003-04 year-end deficits 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-quarter cent dedicated to paying off the State's Economic Recovery Bonds, authorized for a total of \$15,000,000, which were issued to pay off the State's debt. This increase will be offset by repealing the one-quarter cent portion of the sales tax dedicated to local government. The lost sales tax to local government will be replaced with property taxes (the "Countywide Adjustment Amount") equal to the lost sales tax revenue. Since the County's portion of sales tax is pledged to the repayment of the Recovery COPs, Assembly Bill 296 (Chapter 757, Statutes of 2003) amended the applicable Government Code provisions, adding the Countywide Adjustment Amount as security for the Recovery COPs. For more information on the Recovery COPs refer to Note 9, Long-Term Obligations.



## **20. SUBSEQUENT EVENTS (Continued)**

### State of California Budget Impact on County of Orange (Continued)

Other legislation passed as part of the State Budget process, along with Proposition 1A, an initiative State Constitutional amendment passed by the voters on November 2, 2004, provides for the following local government financing impacts:

- A reduction in the VLF rate from 2.00% to 0.65%.
- A swap of county and city VLF revenues for property taxes, equal to the difference between the VLF rate of 2.00% and 0.65% with a revenue-neutral impact on cities and counties. An allowance of \$54,000 for continuing Orange County's share of intercepted VLF dedicated to the debt service on the Recovery COPs and Recovery Bonds was included in the legislation. (See Note 9, Long Term Obligations).
- A two-year shift of property taxes from counties, cities, redevelopment agencies, and special districts to school districts to partially reduce the State's General Fund deficit, in the total Statewide amount of \$1,300,000 for each of fiscal years 2004-05 and 2005-06. The estimated impact on the Orange County General Fund from this tax shift is around \$27,731 for each of the fiscal years 2004-05 and 2005-06. The County has incorporated this revenue decrease, as well as shift amounts for the County's redevelopment agencies and dependent special districts, in the final budget for fiscal year 2004-05.
- New Constitutional restrictions on the State's ability to impose unfunded mandates and limits the State's ability to reduce County revenues in the future.

A. With regard to other revenue and program spending impacts, the County adopted the impacts of the State's final adopted FY 2004-05 budget.

### Barratt American Incorporated, et al., v. County of Orange

On October 1, 2004, Barratt American Incorporated filed a new complaint (Orange County Superior Court Case No. 04CC001664) 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 2004. The County denies the allegation 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.

On November 19, 2004, trial concluded for Cases No. 814037 and No. 01CC04025. The County is awaiting the trial court's decision, and at this time, it is not possible to reasonably estimate the likely outcome of the matter. For more information, refer to Note 16.

### Retirement

On August 24, 2004, the Board of Supervisors adopted a change in retirement benefits for the general members of the Orange County Employees Retirement System (OCERS), excluding those employees represented by the American Federation of State, County and Municipal Employees (AFSCME).

**20. SUBSEQUENT EVENTS (Continued)**

Retirement (Continued)

The benefit, which will become effective July 1, 2005, is funded through ongoing employee payroll deductions (beginning June 24, 2005) and an offset to County expenses in the form of significant health care changes, which result in higher costs to the employee and lower costs to the County. The health care benefits are effective January 1, 2005. Additionally, the Attorney Unit will reduce the amount of the Attorney Optional Benefit Plan amount beginning January 2005 and the employer contribution to the Attorneys 401(a) plan will cease in June 2005.

The amount of contribution for employees in each bargaining unit and for the unrepresented employees varies, as set forth in the Memorandum of Understanding (MOU) and the Personnel and Salary Resolution (PSR) Amendments. The percentage of pay contributions by bargaining unit, combined with Health Plan savings, cover the annual costs of implementing retirement formula changes.

In addition, the MOUs set forth the intent of the parties that the change is without additional cost to the County. The MOUs confirm that payments continue on past the expiration date of the contracts and are intended to cover the 30-year amortization period. Annual review of the benefit and its associated costs and consideration of future contribution levels are also part of the agreements. Refer to Note 18 for more information on the County's retirement plans.





# Supplemental Information

**MAJOR GOVERNMENTAL DEBT SERVICE FUND**

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

Refunding Bonds 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**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**  
**FOR THE YEAR ENDED JUNE 30, 2004**  
**(In Thousands)**

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b><u>Refunding Bonds &amp; Recovery</u></b>								
<b><u>Certificates of Participation</u></b>								
<b><u>and Debt Prepayment</u></b>								
<b><u>Revenues and Other</u></b>								
<b><u>Financing Sources</u></b>								
Use of Money and Property		\$ 1,400	\$ --	\$ 1,400	\$ 2,468	\$ 1,068		
Intergovernmental Revenues		28,344	--	28,344	28,345	1		
Transfers In		111	3,750	3,861	3,917	56		
Total Revenues and Other Financing Sources		<u>29,855</u>	<u>3,750</u>	<u>33,605</u>	<u>34,730</u>	<u>1,125</u>		
<b><u>Expenditures/Encumbrances</u></b>								
<b><u>and Other Financing Uses</u></b>								
General Government:								
Debt Prepayment Fund	\$ --	93,996	3,800	97,796	753	97,043	\$ --	\$ 97,043
Refunding Recovery Bonds	--	31,184	1,044	32,228	29,572	2,656	--	2,656
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>125,180</u>	<u>4,844</u>	<u>130,024</u>	<u>30,325</u>	<u>99,699</u>	<u>\$ --</u>	<u>\$ 99,699</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(95,325)	(1,094)	(96,419)	4,405	<u>\$ 100,824</u>		
Fund Balances - Budgeted Fund - Beginning of Year	--	122,546	--	122,546	123,640			
Fund Balances - Non-Budgeted Fund Beginning of Year	--	--	--	--	115,706			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	550			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(27,223)			
Provisions for Reserves and/or Designations	--	(27,221)	1,094	(26,127)	27,221			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 244,299</u>			



**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

These funds are used to account for the proceeds of specific revenue sources (other than the permanent fund or for major capital projects) that have either legal or operational requirements to restrict expenditures for specified purposes.

Parking Facilities

This fund is used to account for 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-aside 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 building and safety and law enforcement activities. Revenues consist primarily of Federal and State grants.

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.

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.



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**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**SPECIAL REVENUE FUNDS (Continued)**

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.

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

**DEBT SERVICE FUNDS (Continued)**

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.

**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  
 Comprehensive Annual Financial Report  
 June 30, 2004

**COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS**

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
<b>ASSETS</b>					
Pooled Cash/Investments	\$ 439,008	\$ 1,416	\$ 10,889	\$ 2,046	\$ 702
Cash/Cash Equivalents	--	--	--	--	--
Imprest Cash Funds	13	--	--	--	--
Restricted Cash and Investments with Trustee	363,823	--	--	--	--
Investments	6,199	--	--	--	--
Receivables					
Accounts	2,045	15	--	--	--
Taxes	17,960	--	--	10	--
Interest/Dividends	428	--	--	--	--
Deposits	3,015	--	--	--	--
Allowance for Uncollectible Receivables	(4)	(2)	--	--	--
Due from Other Funds	45,662	94	2,518	5	4
Due from Other Governmental Agencies	12,078	103	--	--	35
Inventory of Materials and Supplies	400	--	--	--	--
Prepaid Costs	1,031	--	--	--	--
Land and Improvements Held for Resale	1,703	--	--	--	--
Notes Receivable	19,871	--	7,913	--	206
Total Assets	<u>\$ 913,232</u>	<u>\$ 1,626</u>	<u>\$ 21,320</u>	<u>\$ 2,061</u>	<u>\$ 947</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 6,371	\$ 147	\$ --	\$ --	\$ --
Salaries and Employee Benefits Payable	1,967	10	--	--	--
Deposits from Others	8,449	--	--	--	--
Due to Other Funds	16,346	132	41	16	10
Due to Other Governmental Agencies	5,507	233	--	--	--
Deferred Revenue	13,467	--	--	7	206
Total Liabilities	<u>52,107</u>	<u>522</u>	<u>41</u>	<u>23</u>	<u>216</u>
Fund Balances					
Reserved	477,733	33	21,279	2,008	277
Unreserved					
Undesignated	383,392	1,071	--	30	454
Total Fund Balances	<u>861,125</u>	<u>1,104</u>	<u>21,279</u>	<u>2,038</u>	<u>731</u>
Total Liabilities and Fund Balances	<u>\$ 913,232</u>	<u>\$ 1,626</u>	<u>\$ 21,320</u>	<u>\$ 2,061</u>	<u>\$ 947</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Other Public Protection	Special Revenue				Schedule I County - Administered Accounts	
	Community, Health & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation			
\$ 105,875	\$ 46,275	\$ 23,974	\$ 3,117	\$ 4,912		<b>ASSETS</b>
--	--	--	--	--		Pooled Cash/Investments
5	8	--	--	--		Cash/Cash Equivalents
218	23	--	--	--		Imprest Cash Funds
--	--	--	--	--		Restricted Cash and Investments with Trustee
						Investments
959	114	--	--	--		Receivables
--	--	--	--	--		Accounts
--	--	--	--	--		Taxes
3	--	--	--	--		Interest/Dividends
(1)	--	--	--	--		Deposits
36,697	151	76	6	9		Allowance for Uncollectible Receivables
6,608	4,488	--	--	--		Due from Other Funds
400	--	--	--	--		Due from Other Governmental Agencies
--	--	--	--	--		Inventory of Materials and Supplies
--	--	--	--	--		Prepaid Costs
--	145	--	--	--		Land and Improvements Held for Resale
--	1,580	--	--	--		Notes Receivable
<u>\$ 150,764</u>	<u>\$ 52,784</u>	<u>\$ 24,050</u>	<u>\$ 3,123</u>	<u>\$ 4,921</u>		Total Assets
						<b>LIABILITIES AND FUND BALANCES</b>
\$ 665	\$ 2,764	\$ --	\$ --	\$ --		Liabilities
767	430	--	--	--		Accounts Payable
6,709	302	--	--	--		Salaries and Employee Benefits Payable
5,727	2,931	2,658	--	1		Deposits from Others
1,551	307	--	--	--		Due to Other Funds
1,147	5,634	--	--	--		Due to Other Governmental Agencies
16,566	12,368	2,658	--	1		Deferred Revenue
						Total Liabilities
15,743	16,646	--	--	1,136		Fund Balances
						Reserved
118,455	23,770	21,392	3,123	3,784		Unreserved
134,198	40,416	21,392	3,123	4,920		Undesignated
						Total Fund Balances
<u>\$ 150,764</u>	<u>\$ 52,784</u>	<u>\$ 24,050</u>	<u>\$ 3,123</u>	<u>\$ 4,921</u>		Total Liabilities and Fund Balances

(Continued)

County of Orange  
 Comprehensive Annual Financial Report  
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**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue			
	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Revenue Neutrality
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 58	\$ 7,189	\$ 10,765	\$ 8,635
Cash/Cash Equivalents	--	--	--	--
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	3,245	--
Investments	--	--	--	--
Receivables				
Accounts	--	--	956	--
Taxes	--	--	--	--
Interest/Dividends	--	--	--	--
Deposits	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	4,393	13	20	13
Due from Other Governmental Agencies	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Notes Receivable	--	--	8,884	--
Total Assets	<u>\$ 4,451</u>	<u>\$ 7,202</u>	<u>\$ 23,870</u>	<u>\$ 8,648</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ --	\$ 28	\$ 937	\$ --
Salaries and Employee Benefits Payable	--	--	760	--
Deposits from Others	--	--	1,201	--
Due to Other Funds	33	1	1	1
Due to Other Governmental Agencies	1	--	--	--
Deferred Revenue	--	--	155	--
Total Liabilities	<u>34</u>	<u>29</u>	<u>3,054</u>	<u>1</u>
Fund Balances				
Reserved	--	61	13,814	--
Unreserved				
Undesignated	4,417	7,112	7,002	8,647
Total Fund Balances	<u>4,417</u>	<u>7,173</u>	<u>20,816</u>	<u>8,647</u>
Total Liabilities and Fund Balances	<u>\$ 4,451</u>	<u>\$ 7,202</u>	<u>\$ 23,870</u>	<u>\$ 8,648</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Debt Service					
Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	Orange County Special Financing Authority	Orange County Public Financing Authority	
\$ 20,984	\$ --	\$ 390	\$ 1,389	\$ --	<b>ASSETS</b>
--	--	--	--	--	Pooled Cash/Investments
--	--	--	--	--	Cash/Cash Equivalents
3,027	3,321	214,268	125,617	8,836	Imprest Cash Funds
--	--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	--	--	Investments
--	--	--	--	--	Receivables
415	--	--	17,535	--	Accounts
--	--	--	421	--	Taxes
--	--	--	--	--	Interest/Dividends
--	--	--	--	--	Deposits
52	--	1	--	--	Allowance for Uncollectible Receivables
--	--	--	--	--	Due from Other Funds
--	--	--	--	--	Due from Other Governmental Agencies
--	--	--	1,031	--	Inventory of Materials and Supplies
--	--	--	--	--	Prepaid Costs
--	--	--	--	--	Land and Improvements Held for Resale
--	--	--	--	--	Notes Receivable
<u>\$ 24,478</u>	<u>\$ 3,321</u>	<u>\$ 214,659</u>	<u>\$ 145,993</u>	<u>\$ 8,836</u>	Total Assets
					<b>LIABILITIES AND FUND BALANCES</b>
\$ --	\$ --	\$ --	\$ 49	\$ --	Liabilities
--	--	--	--	--	Accounts Payable
--	--	--	--	--	Salaries and Employee Benefits Payable
4,062	--	1	--	--	Deposits from Others
3,415	--	--	--	--	Due to Other Funds
843	--	--	5,452	--	Due to Other Governmental Agencies
<u>8,320</u>	<u>--</u>	<u>1</u>	<u>5,501</u>	<u>--</u>	Deferred Revenue
					Total Liabilities
16,158	3,321	214,658	136,841	8,836	Fund Balances
--	--	--	3,651	--	Reserved
<u>16,158</u>	<u>3,321</u>	<u>214,658</u>	<u>140,492</u>	<u>8,836</u>	Unreserved
					Undesignated
					Total Fund Balances
<u>\$ 24,478</u>	<u>\$ 3,321</u>	<u>\$ 214,659</u>	<u>\$ 145,993</u>	<u>\$ 8,836</u>	Total Liabilities and Fund Balances

(Continued)

County of Orange  
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**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

	Capital Projects				Permanent Fund
	Criminal Justice Facilities	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Telecommunications Equipment	Regional Park Endowment
<b>ASSETS</b>					
Pooled Cash/Investments	\$ 31,615	\$ 34,126	\$ 124,403	\$ --	\$ 248
Cash/Cash Equivalents	--	--	--	--	--
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	5,268	--	--
Investments	--	--	6,199	--	--
Receivables					
Accounts	--	1	--	--	--
Taxes	--	--	--	--	--
Interest/Dividends	2	--	5	--	--
Deposits	--	3,012	--	--	--
Allowance for Uncollectible Receivables	--	(1)	--	--	--
Due from Other Funds	54	1,178	378	--	--
Due from Other Governmental Agencies	844	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	1,558	--	--	--
Notes Receivable	--	1,288	--	--	--
Total Assets	<u>\$ 32,515</u>	<u>\$ 41,162</u>	<u>\$ 136,253</u>	<u>\$ --</u>	<u>\$ 248</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 1,617	\$ --	\$ 164	\$ --	\$ --
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	--	80	--	--	157
Due to Other Funds	9	107	615	--	--
Due to Other Governmental Agencies	--	--	--	--	--
Deferred Revenue	23	--	--	--	--
Total Liabilities	<u>1,649</u>	<u>187</u>	<u>779</u>	<u>--</u>	<u>157</u>
Fund Balances					
Reserved	6,648	18,090	2,100	--	84
Unreserved					
Undesignated	24,218	22,885	133,374	--	7
Total Fund Balances	<u>30,866</u>	<u>40,975</u>	<u>135,474</u>	<u>--</u>	<u>91</u>
Total Liabilities and Fund Balances	<u>\$ 32,515</u>	<u>\$ 41,162</u>	<u>\$ 136,253</u>	<u>\$ --</u>	<u>\$ 248</u>





County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

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

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
<b>Revenues</b>					
Taxes	\$ 21,785	\$ --	\$ --	\$ 353	\$ --
Licenses, Permits, and Franchises	6,768	13	--	--	--
Fines, Forfeitures and Penalties	19,680	--	--	--	9
Use of Money and Property	50,601	6,718	140	19	155
Intergovernmental Revenues	166,049	963	--	5	209
Charges for Services	8,552	263	--	22	72
Contributions from Property Owners	54,570	--	--	--	--
Other Revenues	10,651	11	25	2	1,692
Total Revenues	<u>338,656</u>	<u>7,968</u>	<u>165</u>	<u>401</u>	<u>2,137</u>
<b>Expenditures</b>					
Current					
General Government	20,843	--	--	--	100
Public Protection	31,356	--	--	--	26
Public Ways and Facilities	5,484	5,484	--	--	--
Health and Sanitation	4	--	--	--	--
Public Assistance	117,250	--	159	--	--
Recreation and Cultural Services	209	--	--	184	25
Capital Outlay	59,873	--	180	20	--
Debt Service					
Principal Retirement	25,581	--	--	--	--
Debt Service Payment to Escrow Agent	4,314	--	--	--	--
Interest	12,209	--	--	--	--
Debt Issuance Costs	1,279	--	--	--	--
Total Expenditures	<u>278,402</u>	<u>5,484</u>	<u>339</u>	<u>204</u>	<u>151</u>
Excess (Deficit) of Revenues					
Over Expenditures	60,254	2,484	(174)	197	1,986
<b>Other Financing Sources (Uses)</b>					
Transfers In	98,179	1,800	5,802	156	--
Transfers Out	(115,621)	(4,039)	(1,641)	--	(1,736)
Premiums on Bonds Issued	1,660	--	--	--	--
Refunding Bonds Issued	38,465	--	--	--	--
Payment to Refunded Bond Escrow Agent	(35,844)	--	--	--	--
Net Change in Fund Balances	47,093	245	3,987	353	250
Fund Balances - Beginning of Year	814,032	859	17,292	1,685	481
Fund Balances - End of Year	<u>\$ 861,125</u>	<u>\$ 1,104</u>	<u>\$ 21,279</u>	<u>\$ 2,038</u>	<u>\$ 731</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Special Revenue					
Other Public Protection	Community, Health & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County-Administered Accounts	
\$ --	\$ --	\$ --	\$ --	\$ --	Revenues
6,755	--	--	--	--	Taxes
2,545	2,498	--	--	--	Licenses, Permits, and Franchises
4,200	658	683	34	52	Fines, Forfeitures and Penalties
22,373	41,774	--	--	--	Use of Money and Property
4,552	3,643	--	--	--	Intergovernmental Revenues
--	--	--	--	--	Charges for Services
5,859	622	78	--	199	Contributions from Property Owners
<u>46,284</u>	<u>49,195</u>	<u>761</u>	<u>34</u>	<u>251</u>	Other Revenues
					Total Revenues
					Expenditures
					Current
36	--	43	3	5	General Government
31,330	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	4	--	--	--	Health and Sanitation
--	20,606	--	--	--	Public Assistance
--	--	--	--	--	Recreation and Cultural Services
803	1,062	--	--	--	Capital Outlay
					Debt Service
--	411	--	--	--	Principal Retirement
--	--	--	--	--	Debt Service Payment to Escrow Agent
--	70	--	--	--	Interest
--	--	--	--	--	Debt Issuance Costs
<u>32,169</u>	<u>22,153</u>	<u>43</u>	<u>3</u>	<u>5</u>	Total Expenditures
					Excess (Deficit) of Revenues
14,115	27,042	718	31	246	Over Expenditures
					Other Financing Sources (Uses)
41,054	204	12,140	--	--	Transfers In
(32,864)	(10,799)	(30,653)	--	--	Transfers Out
--	--	--	--	--	Premiums on Bonds Issued
--	--	--	--	--	Refunding Bonds Issued
--	--	--	--	--	Payment to Refunded Bond Escrow Agent
22,305	16,447	(17,795)	31	246	Net Change in Fund Balances
111,893	23,969	39,187	3,092	4,674	Fund Balances - Beginning of Year
<u>\$ 134,198</u>	<u>\$ 40,416</u>	<u>\$ 21,392</u>	<u>\$ 3,123</u>	<u>\$ 4,920</u>	Fund Balances - End of Year

(Continued)

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

	Special Revenue			
	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Revenue Neutrality
<b>Revenues</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	--	--	--	--
Use of Money and Property	11	80	634	73
Intergovernmental Revenues	--	--	95,870	3,642
Charges for Services	--	--	--	--
Contributions from Property Owners	--	--	--	--
Other Revenues	--	--	829	--
Total Revenues	<u>11</u>	<u>80</u>	<u>97,333</u>	<u>3,715</u>
<b>Expenditures</b>				
<b>Current</b>				
General Government	5,643	273	--	8
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	96,485	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	--
<b>Debt Service</b>				
Principal Retirement	--	--	--	--
Debt Service Payment to Escrow Agent	--	--	--	--
Interest	--	--	--	--
Debt Issuance Costs	--	--	--	--
Total Expenditures	<u>5,643</u>	<u>273</u>	<u>96,485</u>	<u>8</u>
Excess (Deficit) of Revenues Over Expenditures	(5,632)	(193)	848	3,707
<b>Other Financing Sources (Uses)</b>				
Transfers In	5,349	--	--	--
Transfers Out	--	--	(1,090)	(33)
Premiums on Bonds Issued	--	--	--	--
Refunding Bonds Issued	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--
Net Change in Fund Balances	(283)	(193)	(242)	3,674
Fund Balances - Beginning of Year	4,700	7,366	21,058	4,973
Fund Balances - End of Year	<u>\$ 4,417</u>	<u>\$ 7,173</u>	<u>\$ 20,816</u>	<u>\$ 8,647</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Debt Service					
Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	Orange County Special Financing Authority	Orange County Public Financing Authority	
\$ 21,432	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
19	--	--	7,650	--	Licenses, Permits, and Franchises
449	(139)	29,943	2,089	2,057	Fines, Forfeitures and Penalties
276	--	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental Revenues
--	--	--	--	--	Charges for Services
32	--	--	--	--	Contributions from Property Owners
<u>22,208</u>	<u>(139)</u>	<u>29,943</u>	<u>9,739</u>	<u>2,057</u>	Other Revenues
					Total Revenues
5,692	2	56	8,978	4	Expenditures
--	--	--	--	--	Current
--	--	--	--	--	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	--	--	--	--	Public Assistance
--	--	--	--	--	Recreation and Cultural Services
--	--	--	--	--	Capital Outlay
12,200	3,960	4,000	--	5,010	Debt Service
4,314	--	--	--	--	Principal Retirement
3,218	293	3,543	1,173	3,912	Debt Service Payment to Escrow Agent
1,279	--	--	--	--	Interest
<u>26,703</u>	<u>4,255</u>	<u>7,599</u>	<u>10,151</u>	<u>8,926</u>	Debt Issuance Costs
					Total Expenditures
(4,495)	(4,394)	22,344	(412)	(6,869)	Excess (Deficit) of Revenues Over Expenditures
11,641	2,417	7,103	--	7,231	Other Financing Sources (Uses)
(10,902)	(172)	(7,074)	--	--	Transfers In
1,660	--	--	--	--	Transfers Out
38,465	--	--	--	--	Premiums on Bonds Issued
<u>(35,844)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	Refunding Bonds Issued
					Payment to Refunded Bond Escrow Agent
525	(2,149)	22,373	(412)	362	Net Change in Fund Balances
<u>15,633</u>	<u>5,470</u>	<u>192,285</u>	<u>140,904</u>	<u>8,474</u>	Fund Balances - Beginning of Year
<u>\$ 16,158</u>	<u>\$ 3,321</u>	<u>\$ 214,658</u>	<u>\$ 140,492</u>	<u>\$ 8,836</u>	Fund Balances - End of Year

(Continued)

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

	Capital Projects				Permanent Fund
	Criminal Justice Facilities	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Telecommunications Equipment	Regional Park Endowment
<b>Revenues</b>					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	6,959	--	--	--	--
Use of Money and Property	1,034	458	1,249	1	3
Intergovernmental Revenues	339	598	--	--	--
Charges for Services	--	--	--	--	--
Contributions from Property Owners	--	--	54,570	--	--
Other Revenues	18	1,180	103	--	1
Total Revenues	<u>8,350</u>	<u>2,236</u>	<u>55,922</u>	<u>1</u>	<u>4</u>
<b>Expenditures</b>					
<b>Current</b>					
General Government	--	--	--	--	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	22,329	1,571	33,897	11	--
<b>Debt Service</b>					
Principal Retirement	--	--	--	--	--
Debt Service Payment to Escrow Agent	--	--	--	--	--
Interest	--	--	--	--	--
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	<u>22,329</u>	<u>1,571</u>	<u>33,897</u>	<u>11</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	(13,979)	665	22,025	(10)	4
<b>Other Financing Sources (Uses)</b>					
Transfers In	2,182	1,100	--	--	--
Transfers Out	(3,694)	(10,000)	(599)	(325)	--
Premiums on Bonds Issued	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--	--
Net Change in Fund Balances	(15,491)	(8,235)	21,426	(335)	4
Fund Balances - Beginning of Year	46,357	49,210	114,048	335	87
Fund Balances - End of Year	<u>\$ 30,866</u>	<u>\$ 40,975</u>	<u>\$ 135,474</u>	<u>\$ --</u>	<u>\$ 91</u>



County of Orange  
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BUDGETARY COMPARISON SCHEDULES  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Parking Facilities</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Fines, Forfeitures and Penalties		\$ --	\$ --	\$ --	\$ --	\$ --		
Use of Money and Property		\$ 2,179	\$ --	\$ 2,179	\$ 2,439	\$ 260		
Charges for Services		217	--	217	263	46		
Other Revenues		20	--	20	10	(10)		
Transfers In		1,800	--	1,800	1,800	--		
Total Revenues and Other Financing Sources		4,216	--	4,216	4,512	296		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Ways and Facilities:								
Parking Facilities	\$ 26	4,728	308	5,062	3,618	1,444	\$ 28	\$ 1,416
Total Expenditures/Encumbrances and Other Financing Uses	26	4,728	308	5,062	3,618	1,444	28	1,416
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(26)	(512)	(308)	(846)	894	\$ 1,740		
Fund Balances - Budgeted Fund - Beginning of Year	--	512	--	512	845			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	14			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(649)			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(28)			
Fund Balance Reserved for Encumbrances	26	--	--	26	28			
Provisions for Reserves and/or Designations	--	--	308	308	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 1,104			
<b>Redevelopment Agency</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 400	\$ --	\$ 400	\$ 140	\$ (260)		
Other Revenues		--	--	--	25	25		
Transfers In		2,733	3,069	5,802	5,802	--		
Total Revenues and Other Financing Sources		3,133	3,069	6,202	5,967	(235)		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 112	12,786	7,519	20,417	1,980	18,437	\$ 108	\$ 18,329
Total Expenditures/Encumbrances and Other Financing Uses	112	12,786	7,519	20,417	1,980	18,437	108	18,329
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(112)	(9,653)	(4,450)	(14,215)	3,987	\$ 18,202		
Fund Balance - Beginning of Year	--	9,653	--	9,653	17,292			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(8,021)			
Fund Balance Reserved for Encumbrances	112	--	--	112	108			
Provisions for Reserves and/or Designations	--	--	4,450	4,450	7,913			
Fund Balance - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 21,279			



Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Service Areas, Lighting and Maintenance Districts Revenues and Other Financing Sources</b>								
Taxes		\$ 332	\$ 3	\$ 335	\$ 353	\$ 18		
Use of Money and Property		38	--	38	19	(19)		
Intergovernmental Revenues		5	--	5	5	--		
Charges for Services		23	--	23	22	(1)		
Other Revenues		2	1	3	2	(1)		
Transfers In		--	156	156	156	--		
Total Revenues and Other Financing Sources		<u>400</u>	<u>160</u>	<u>560</u>	<u>557</u>	<u>(3)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Recreation and Cultural Services:								
County Service Area No. 4 - Leisure World								
	\$ --	--	3	3	3	--	\$ --	\$ --
North Tustin Landscaping and Lighting Assessment District								
	80	663	(519)	224	156	68	68	--
County Service Area No. 13 - La Mirada								
	--	7	3	10	3	7	--	7
County Service Area No. 20 - La Habra								
	--	13	1	14	1	13	--	13
County Service Area No. 22 - East Yorba Linda								
	<u>3</u>	<u>43</u>	<u>10</u>	<u>56</u>	<u>41</u>	<u>15</u>	<u>3</u>	<u>12</u>
Total Expenditures/Encumbrances and Other Financing Uses	<u>83</u>	<u>726</u>	<u>(502)</u>	<u>307</u>	<u>204</u>	<u>103</u>	<u>\$ 71</u>	<u>\$ 32</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Over Expenditures/Encumbrances Encumbrances and Other Financing Uses	(83)	(326)	662	253	353	<u>\$ 100</u>		
Fund Balances - Beginning of Year	--	850	--	850	1,685			
Cancellation of Prior Year Reserves/Designations	--	3	--	3	(2,009)			
Fund Balance Reserved for Encumbrances	83	--	--	83	71			
Provisions for Reserves and/or Designations	--	(527)	(662)	(1,189)	1,938			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,038</u>			

(Continued)

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

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

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Other Environmental Management</b>								
<b>Revenues</b>								
Licenses, Permits, and Franchises		--	--	--				
Fines, Forfeitures and Penalties		\$ 24	\$ --	\$ 24	\$ 9	\$ (15)		
Use of Money and Property		137	--	137	155	18		
Intergovernmental Revenues		170	--	170	209	39		
Charges for Services		76	--	76	72	(4)		
Other Revenues		15,014	--	15,014	1,692	(13,322)		
Total Revenues		<u>15,421</u>	<u>--</u>	<u>15,421</u>	<u>2,137</u>	<u>(13,284)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Real Estate Development Program	\$ --	15,128	5	15,133	1,770	13,363	\$ 69	\$ 13,294
Air Quality Improvement	--	330	95	425	66	359	--	359
Public Protection:								
Fish and Game Propagation	--	28	71	99	10	89	--	89
Survey Monument Preservation	--	242	(51)	191	16	175	--	175
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	217	(139)	78	25	53	--	53
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>15,945</u>	<u>(19)</u>	<u>15,926</u>	<u>1,887</u>	<u>14,039</u>	<u>\$ 69</u>	<u>\$ 13,970</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	--	(524)	19	(505)	250	<u>\$ 755</u>		
Fund Balances - Beginning of Year	--	524	--	524	481			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(69)			
Fund Balance Reserved for Encumbrances	--	--	--	--	69			
Provisions for Reserves and/or Designations	--	--	(19)	(19)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 731</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Other Public Protection</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Licenses, Permits, and Franchises		\$ 63	\$ 6,226	\$ 6,289	\$ 6,755	\$ 466		
Fines, Forfeitures and Penalties		2,775	--	2,775	2,545	(230)		
Use of Money and Property		4,161	215	4,376	4,200	(176)		
Intergovernmental Revenues		10,950	4,765	15,715	22,373	6,658		
Charges for Services		9,530	(5,316)	4,214	4,552	338		
Other Revenues		7,896	--	7,896	5,859	(2,037)		
Transfers In		11,418	40,824	52,242	41,054	(11,188)		
Total Revenues and Other Financing Sources		<u>46,793</u>	<u>46,714</u>	<u>93,507</u>	<u>87,338</u>	<u>(6,169)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Remittance Processing Equipment Replacement	\$ 3	151	21	175	36	139	\$ 10	\$ 129
Public Protection:								
Orange County Pro-Active Methamphetamine Laboratory Investigation Team	--	1,203	--	1,203	1,000	203	--	203
County Automated Fingerprint Identification	30	1,048	(32)	1,046	699	347	20	327
Building and Safety	415	15,738	(1,742)	14,411	12,630	1,781	672	1,109
Narcotic Forfeiture and Seizure Sheriff-Regional Narcotics Suppression Program	--	863	121	984	301	683	--	683
Motor Vehicle Theft Task Force	16	2,945	468	3,429	2,674	755	18	737
Traffic Violator	20	2,695	72	2,787	2,229	558	2	556
Childrens' Waiting Room	--	1,685	45	1,730	446	1,284	--	1,284
Sheriff Narcotics Program	--	549	41	590	233	357	--	357
Orange County Jail	8	653	(151)	510	187	323	8	315
Sheriff's State Criminal Alien Assistance Program	--	2,194	(13)	2,181	1,202	979	--	979
County Public Safety Sales Tax Excess Revenues	--	--	16,609	16,609	6,035	10,574	--	10,574
California Automated Fingerprint Identification Operational Costs	--	39,607	58,323	97,930	23,069	74,861	--	74,861
California Automated Fingerprint Identification Systems Costs	--	1,279	--	1,279	2	1,277	--	1,277
Sheriff's Supplemental Law Enforcement Services	--	6,392	564	6,956	28	6,928	--	6,928
District Attorney's Supplemental Law Enforcement Services	--	1,210	(174)	1,036	1,029	7	--	7
Local Law Enforcement Block Grant	--	1,017	(139)	878	863	15	--	15
Sheriff-Coroner Replacement and Maintenance	--	193	(8)	185	135	50	--	50
Ward Welfare	--	--	3,421	3,421	398	3,023	--	3,023
Court Facilities	--	246	--	246	74	172	--	172
Sheriff's Substations Fee Program	233	1,728	420	2,381	921	1,460	176	1,284
Jail Commissary	83	6,699	(2)	6,780	3	6,777	83	6,694
Inmate Welfare	37	5,472	440	5,949	4,997	952	92	860
800 MHz County-Wide Coordinated Communications System	121	9,610	816	10,547	5,336	5,211	159	5,052
Delta Special Revenue	102	4,201	3,225	7,528	502	7,026	9	7,017
Total Expenditures/Encumbrances and Other Financing Uses	<u>3</u>	<u>52</u>	<u>2</u>	<u>57</u>	<u>4</u>	<u>53</u>	<u>--</u>	<u>53</u>
Excess (Deficit) of Revenues and Other Financing Uses Over Expenditures/ Encumbrances and Other Financing Uses	<u>(1,071)</u>	<u>(60,637)</u>	<u>(35,613)</u>	<u>(97,321)</u>	<u>22,305</u>	<u>\$ 119,626</u>	<u>\$ 1,249</u>	<u>\$ 124,546</u>
Fund Balances - Beginning of Year Cancellation of Prior Year Reserves/Designations	--	63,569	--	63,569	111,893	(15,442)		
Fund Balance Reserved for Encumbrances Provisions for Reserves and/or Designations	1,071	--	--	1,071	--	1,249		
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 134,198</u>			

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County of Orange  
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**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE (Continued)**

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Community, Health and Welfare Services</b>								
<b>Revenues and Other Financing Sources</b>								
Fines, Forfeitures and Penalties		\$ --	\$ 5,393	\$ 5,393	\$ 2,498	\$ (2,895)		
Use of Money and Property		543	45	588	658	70		
Intergovernmental Revenues		73,138	6,258	79,396	41,774	(37,622)		
Charges for Services		1,016	144	1,160	3,643	2,483		
Other Revenues		745	1,025	1,770	622	(1,148)		
Transfers In		692	2,598	3,290	204	(3,086)		
Total Revenues and Other Financing Sources		<u>76,134</u>	<u>15,463</u>	<u>91,597</u>	<u>49,399</u>	<u>(42,198)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Assistance:								
Dispute Resolution Program	\$ --	--	10	10	--	10	\$ --	\$ 10
Domestic Violence Program	--	--	60	60	--	60	--	60
Community Social Programs	79	443	(4)	518	435	83	--	83
Facilities Development and Maintenance	1,221	13,664	283	15,168	5,853	9,315	541	8,774
Welfare to Work	305	300	--	605	234	371	--	371
Workforce Investment Act	1,496	12,664	4,631	18,791	10,278	8,513	3,277	5,236
County Executive Office - Single Family Housing	--	3,097	15	3,112	1,430	1,682	--	1,682
Housing and Community Development	3,405	35,463	5,544	44,412	9,999	34,413	1,895	32,518
Strategic Priority Affordable Housing Fund	--	4,900	(18)	4,882	137	4,745	--	4,745
In-Home Support Services Public Authority	--	1,122	(20)	1,102	461	641	1	640
Health and Sanitation:								
Medi-Cal Administrative Activities								
Targeted Case Management	--	16,320	--	16,320	2,654	13,666	--	13,666
Emergency Medical Services	--	--	5,300	5,300	1,345	3,955	--	3,955
HCA Purpose Restricted Revenues	--	--	3,151	3,151	126	3,025	--	3,025
Total Expenditures/Encumbrances and Other Financing Uses	6,506	87,973	18,952	113,431	32,952	80,479	\$ 5,714	\$ 74,765
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(6,506)	(11,839)	(3,489)	(21,834)	16,447	<u>\$ 38,281</u>		
Fund Balances - Beginning of Year	--	11,839	--	11,839	23,969			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(5,866)			
Fund Balance Reserved for Encumbrances	6,506	--	--	6,506	5,714			
Provisions for Reserves and/or Designations	--	--	3,489	3,489	152			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 40,416</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Designated Special</b>								
<b>Revenue</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 186	\$ --	\$ 186	\$ 683	\$ 497		
Other Revenues		1,367	--	1,367	78	(1,289)		
Transfers In		4,691	7,409	12,100	12,140	40		
Total Revenues and Other Financing Sources		<u>6,244</u>	<u>7,409</u>	<u>13,653</u>	<u>12,901</u>	<u>(752)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Debt Reduction/Future Essential								
Operating Requirement	\$ --	1,557	13	1,570	266	1,304	\$ --	\$ 1,304
Designated Special Revenue	--	57,350	(6,679)	50,671	30,430	20,241	--	20,241
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>58,907</u>	<u>(6,666)</u>	<u>52,241</u>	<u>30,696</u>	<u>21,545</u>	<u>\$ --</u>	<u>\$ 21,545</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(52,663)	14,075	(38,588)	(17,795)	<u>\$ 20,793</u>		
Fund Balances - Beginning of Year	--	52,663	--	52,663	39,187			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	--			
Provisions for Reserves and/or Designations	--	--	(14,075)	(14,075)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 21,392</u>			

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

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Recovery Certificates of Participation</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 45	\$ --	\$ 45	\$ 34	\$ (11)		
Total Revenues		<u>45</u>	<u>--</u>	<u>45</u>	<u>34</u>	<u>(11)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
1996 Recovery Certificates of Participation, Series A	\$ --	3,123	14	3,137	3	3,134	\$ --	\$ 3,134
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>3,123</u>	<u>14</u>	<u>3,137</u>	<u>3</u>	<u>3,134</u>	<u>--</u>	<u>3,134</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	--	(3,078)	(14)	(3,092)	31	<u>\$ 3,123</u>		
Fund Balances - Beginning of Year	--	3,078	--	3,078	3,092			
Provisions for Reserves and/or Designations	--	--	14	14	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,123</u>			
<b>Schedule 1 County-Administered Accounts</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 72	\$ --	\$ 72	\$ 52	\$ (20)		
Other Revenues		--	--	--	199	199		
Total Revenues		<u>72</u>	<u>--</u>	<u>72</u>	<u>251</u>	<u>179</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Litigation Reserve - Escrow								
AG FTCl	\$ --	187	--	187	--	187	\$ --	\$ 187
Indemnification Reserve	--	2	4	6	1	5	--	5
Litigation Reserve	--	3,401	16	3,417	4	3,413	--	3,413
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>3,590</u>	<u>20</u>	<u>3,610</u>	<u>5</u>	<u>3,605</u>	<u>--</u>	<u>3,605</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	--	(3,518)	(20)	(3,538)	246	<u>\$ 3,784</u>		
Fund Balances - Beginning of Year	--	4,654	--	4,654	4,674			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(1,136)			
Provisions for Reserves and/or Designations	--	(1,136)	20	(1,116)	1,136			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,920</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Plan of Adjustment</b>								
<b>Available Cash</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 13	\$ --	\$ 13	\$ 11	\$ (2)		
Transfers In		2,159	3,440	5,599	5,349	(250)		
Total Revenues and Other Financing Sources		2,172	3,440	5,612	5,360	(252)		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Option B Pool Participants Registered Warrants	\$ --	969	--	969	956	13	\$ --	\$ 13
Class B-27 Registered Warrants	--	252	--	252	--	252	--	252
Recovery Plan of Adjustment Available Cash	--	4,820	4,271	9,091	4,687	4,404	--	4,404
Total Expenditures/Encumbrances and Other Financing Uses	--	6,041	4,271	10,312	5,643	4,669	\$ --	\$ 4,669
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(3,869)	(831)	(4,700)	(283)	\$ 4,417		
Fund Balances - Beginning of Year	--	3,869	--	3,869	4,700			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	--			
Provisions for Reserves and/or Designations	--	--	831	831	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 4,417			
<b>Deferred Compensation</b>								
<b>Reimbursement</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 93	\$ --	\$ 93	\$ 80	\$ (13)		
Total Revenues		93	--	93	80	(13)		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Deferred Compensation Reimbursement	\$ --	7,418	41	7,459	273	7,186	\$ 61	\$ 7,125
Total Expenditures/Encumbrances and Other Financing Uses	--	7,418	41	7,459	273	7,186	\$ 61	\$ 7,125
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	--	(7,325)	(41)	(7,366)	(193)	\$ 7,173		
Fund Balances - Beginning of Year	--	7,325	--	7,325	7,366			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(61)			
Fund Balance Reserved for Encumbrances	--	--	--	--	61			
Provisions for Reserves and/or Designations	--	--	41	41	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 7,173			

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

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Orange County</b>								
<b>Housing Authority</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 491	\$ --	\$ 491	\$ 633	\$ 142		
Other Revenues		420	--	420	26	(394)		
Total Revenues		<u>911</u>	<u>--</u>	<u>911</u>	<u>659</u>	<u>(252)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 14	4,351	3,360	7,725	1,999	5,726	\$ 21	\$ 5,705
Total Expenditures/Encumbrances and Other Financing Uses	<u>14</u>	<u>4,351</u>	<u>3,360</u>	<u>7,725</u>	<u>1,999</u>	<u>5,726</u>	<u>\$ 21</u>	<u>\$ 5,705</u>
Excess (Deficit) of Revenues Over Expenditures/ Encumbrances and Other Financing Uses	(14)	(3,440)	(3,360)	(6,814)	(1,340)	<u>\$ 5,474</u>		
Fund Balances - Beginning of Year	--	3,440	--	3,440	21,012			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	46			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	1,098			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(13,814)			
Fund Balance Reserved for Encumbrances	14	--	--	14	21			
Provisions for Reserves and/or Designations	--	--	3,360	3,360	13,793			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,816</u>			
<b>Revenue Neutrality</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 71	\$ --	\$ 71	\$ 73	\$ 2		
Intergovernmental Revenues		2,517	1,034	3,551	3,642	91		
Total Revenues		<u>2,588</u>	<u>1,034</u>	<u>3,622</u>	<u>3,715</u>	<u>93</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Revenue Neutrality Trust								
Revenue Neutrality Trust	\$ --	8,594	--	8,594	41	8,553	\$ --	\$ 8,553
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>8,594</u>	<u>--</u>	<u>8,594</u>	<u>41</u>	<u>8,553</u>	<u>\$ --</u>	<u>\$ 8,553</u>
Excess (Deficit) of Revenues Over Expenditures/ Encumbrances and Other Financing Uses	--	(6,006)	1,034	(4,972)	3,674	<u>\$ 8,646</u>		
Fund Balances - Beginning of Year	--	6,006	--	6,006	4,973			
Provisions for Reserves and/or Designations	--	--	(1,034)	(1,034)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,647</u>			





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

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Redevelopment Agency Bonds</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Taxes		\$ 16,765	\$ 2,053	\$ 18,818	\$ 21,432	\$ 2,614		
Fines, Forfeitures and Penalties		--	--	--	19	19		
Use of Money and Property		520	(99)	421	449	28		
Intergovernmental Revenues		228	--	228	276	48		
Other Revenues		--	--	--	32	32		
Transfers In		1,542	99	1,641	11,641	10,000		
Premiums on Bonds Issued		--	1,660	1,660	1,660	--		
Proceeds of Refunding Bonds		--	38,465	38,465	38,465	--		
Total Revenues and Other Financing Sources		<u>19,055</u>	<u>42,178</u>	<u>61,233</u>	<u>73,974</u>	<u>12,741</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Orange County Development								
Agency Debt Service -								
Santa Ana Heights	\$ --	9,843	44,923	54,766	61,060	(6,294)	\$ --	\$ (6,294)
Orange County Development								
Agency (NDAPP) -								
Debt Service	--	10,382	3,029	13,411	12,389	1,022	--	1,022
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>20,225</u>	<u>47,952</u>	<u>68,177</u>	<u>73,449</u>	<u>(5,272)</u>	<u>\$ --</u>	<u>\$ (5,272)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(1,170)	(5,774)	(6,944)	525	<u>\$ 7,469</u>		
Fund Balances - Beginning of Year	--	14,512	--	14,512	15,633			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(8,595)			
Provisions for Reserves and/or Designations	--	(13,342)	5,774	(7,568)	8,595			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 16,158</u>			
<b>Public Facilities Corporation</b>								
<b>Bonds, Master Lease</b>								
Fund Balances - Non-Budgeted Funds -								
Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ 5,470			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(2,149)			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,321</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Pension Obligation Bonds</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 1,500	\$ --	\$ 1,500	\$ 29,943	\$ 28,443		
Transfers In		7,540	--	7,540	7,103	(437)		
Total Revenues and Other Financing Sources		<u>9,040</u>	<u>--</u>	<u>9,040</u>	<u>37,046</u>	<u>28,006</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	15,094	7,513	22,607	14,673	7,934	\$ --	\$ 7,934
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>15,094</u>	<u>7,513</u>	<u>22,607</u>	<u>14,673</u>	<u>7,934</u>	<u>\$ --</u>	<u>\$ 7,934</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(6,054)	(7,513)	(13,567)	22,373	<u>\$ 35,940</u>		
Fund Balances - Beginning of Year	--	156,446	--	156,446	192,285			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(150,392)			
Provisions for Reserves and/or Designations	--	(150,392)	7,513	(142,879)	150,392			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 214,658</u>			
<b>Orange County Special</b>								
<b>Financing Authority</b>								
<b>Revenues</b>								
Fines, Forfeitures and Penalties		\$ 40,000	\$ --	\$ 40,000	\$ 7,650	\$ (32,350)		
Use of Money and Property		5,000	--	5,000	2,089	(2,911)		
Total Revenues		<u>45,000</u>	<u>--</u>	<u>45,000</u>	<u>9,739</u>	<u>(35,261)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Orange County Special								
Financing Authority	\$ --	47,100	1,275	48,375	10,151	38,224	\$ --	\$ 38,224
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>47,100</u>	<u>1,275</u>	<u>48,375</u>	<u>10,151</u>	<u>38,224</u>	<u>\$ --</u>	<u>\$ 38,224</u>
Excess (Deficit) of Revenues Over Expenditures/ Encumbrances and Other Financing Uses	--	(2,100)	(1,275)	(3,375)	(412)	<u>\$ 2,963</u>		
Fund Balances - Beginning of Year	--	123,915	--	123,915	140,904			
Cancellation of Prior Year								
Reserves/Designations	--	--	--	--	(121,815)			
Provisions for Reserves and/or Designations	--	(121,815)	1,275	(120,540)	121,815			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 140,492</u>			
<b>Orange County Public</b>								
<b>Financing Authority</b>								
<b>Revenues</b>								
Fund Balances - Non-Budgeted Fund - Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ 8,474			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	362			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,836</u>			

County of Orange  
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**BUDGETARY COMPARISON SCHEDULES  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Criminal Justice Facilities</b>								
<b>Revenues and Other Financing Sources</b>								
Fines, Forfeitures and Penalties		\$ 7,600	\$ --	\$ 7,600	\$ 6,959	\$ (641)		
Use of Money and Property		844	--	844	1,034	190		
Intergovernmental Revenues		900	(400)	500	339	(161)		
Other Revenues		--	--	--	18	18		
Transfers In		2,907	(729)	2,178	2,182	4		
Total Revenues and Other Financing Sources		12,251	(1,129)	11,122	10,532	(590)		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$ 4,344	9,712	(2,283)	11,773	5,155	6,618	\$ 2,756	\$ 3,862
Courthouse Temporary Construction	--	4,729	--	4,729	3,656	1,073	--	1,073
Sheriff-Coroner Construction and Facility Development	3,831	19,539	(180)	23,190	3,483	19,707	1,787	17,920
Theo Lacy Jail Construction	14,112	1,744	999	16,855	13,729	3,126	1,172	1,954
Total Expenditures/Encumbrances and Other Financing Uses	22,287	35,724	(1,464)	56,547	26,023	30,524	\$ 5,715	\$ 24,809
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(22,287)	(23,473)	335	(45,425)	(15,491)	\$ 29,934		
Fund Balances - Beginning of Year	--	23,473	--	23,473	46,357			
Cancellation of Prior Year Reserves/Designations		--	--	--	(6,647)			
Fund Balance Reserved for Encumbrances	22,287	--	--	22,287	5,715			
Provisions for Reserves and/or Designations	--	--	(335)	(335)	932			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 30,866			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Redevelopment Agency</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 1,438	\$ --	\$ 1,438	\$ 458	\$ (980)		
Intergovernmental Revenues		1,900	--	1,900	598	(1,302)		
Other Revenues		200	--	200	1,180	980		
Transfers In		1,100	--	1,100	1,100	--		
Total Revenues and Other Financing Sources		<u>4,638</u>	<u>--</u>	<u>4,638</u>	<u>3,336</u>	<u>(1,302)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue	\$ 2,945	16,610	7,263	26,818	10,400	16,418	\$ 2,831	\$ 13,587
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing	--	152	11	163	1	162	--	162
Orange County Development Agency - Santa Ana Heights Surplus	141	3,226	(591)	2,776	440	2,336	74	2,262
Orange County Development Agency (NDAPP) Projects, 1992 Issue A	25	982	(13)	994	176	818	25	793
NDAPP - Low/Moderate Income Housing, 1992, Issue A	4	3,173	(54)	3,123	82	3,041	4	3,037
Orange County Development Agency (NDAPP) Projects, 1992 Issue B	5	510	(4)	511	291	220	5	215
Orange County Development Agency (NDAPP) Projects, 1992 Issue B Low/Moderate Income Housing	5	2,382	2	2,389	2	2,387	5	2,382
Orange County Development Agency-Neighborhood Preservation and Development Construction	--	713	21	734	8	726	--	726
Orange County Development Agency (NDAPP) Surplus	50	851	(10)	891	171	720	50	670
Total Expenditures/Encumbrances and Other Financing Uses	<u>3,175</u>	<u>28,599</u>	<u>6,625</u>	<u>38,399</u>	<u>11,571</u>	<u>26,828</u>	<u>\$ 2,994</u>	<u>\$ 23,834</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(3,175)	(23,961)	(6,625)	(33,761)	(8,235)	<u>\$ 25,526</u>		
Fund Balances - Beginning of Year	--	43,211	--	43,211	49,210			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(18,091)			
Fund Balance Reserved for Encumbrances	3,175	--	--	3,175	2,994			
Provisions for Reserves and/or Designations	--	(19,250)	6,625	(12,625)	15,097			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 40,975</u>			

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**BUDGETARY COMPARISON SCHEDULES  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS (Continued)**

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Special Assessment Districts, Community Facilities Districts, and Service Areas</b>								
<b>Revenues and Other Financing Sources</b>								
Use of Money and Property		\$ 1,110	\$ (28)	\$ 1,082	\$ 1,249	\$ 167		
Contributions from Property Owners		--	60,125	60,125	54,570	(5,555)		
Other Revenues		--	2,250	2,250	103	(2,147)		
Transfers In		2,280	(2,114)	166	--	(166)		
Total Revenues and Other Financing Sources		<u>3,390</u>	<u>60,233</u>	<u>63,623</u>	<u>55,922</u>	<u>(7,701)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Aliso Viejo Community Facilities District 88-1(A) 1992-Construction	\$ --	3,602	3,077	6,679	1,536	5,143	\$ --	\$ 5,143
Special Assessment-Top of the World Improvement	--	43	(1)	42	--	42	--	42
CFD 99-1, Ladera Construction Series A of 1999 Construction	--	190	163	353	48	305	--	305
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction	--	1,016	337	1,353	2	1,351	--	1,351
Rancho Santa Margarita Community Facilities District 86-1, Series A of 1998 Construction	--	174	--	174	--	174	--	174
CFD 2002-1 Labera Construction	--	52,999	4,360	57,359	13,642	43,717	--	43,717
Lomas Laguna Community Facilities District 88-2 Construction	--	334	1	335	--	335	--	335
Community Facilities District 87-4 Series A of 1997 Construction	--	354	(167)	187	186	1	--	1
Irvine Coast Assessment District 88-1 Construction	--	1,788	(1,788)	--	--	--	--	--
Baker Ranch Community Facilities District 87-6 Construction	--	450	--	450	--	450	--	450
Santa Teresita Community Facilities District 87-9 Construction	--	70	119	189	--	189	--	189
Newport Coast IV Construction 01-1	--	9,410	13,053	22,463	5,906	16,557	--	16,557
Mission Viejo Community Facilities District 87-3(A) 90 Construction	--	731	2,357	3,088	3,080	8	--	8
CFD 01-1 Ladera Construction Series A of 2001 Construction	--	13,210	(2,274)	10,936	35	10,901	--	10,901
Santa Teresita Community Facilities District 87-9(A) 1991 Construction	--	366	--	366	258	108	--	108
CFD 00-1, Ladera Construction Series A of 2000 Construction	--	4,428	1,848	6,276	2,257	4,019	--	4,019
Newport Ridge Construction 92-1	--	45	10	55	--	55	--	55
Newport Ridge Construction Series B	--	23	2	25	2	23	--	23
Foothill Ranch Community Facilities District 87-4(A) 94 Construction	--	2,889	456	3,345	235	3,110	--	3,110
CFD 2003-1, Ladera Construction	--	--	52,125	52,125	6,679	45,446	--	45,446
Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction	--	499	1	500	1	499	--	499
Coto de Caza Community Facilities District 87-8(A) 94 Construction	--	1,441	373	1,814	2	1,812	--	1,812
Public Ways and Facilities: County Infrastructure Project	--	7,543	(84)	7,459	627	6,832	--	6,832
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>101,605</u>	<u>73,968</u>	<u>175,573</u>	<u>34,496</u>	<u>141,077</u>	<u>\$ --</u>	<u>\$ 141,077</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(98,215)	(13,735)	(111,950)	21,426	<u>\$ 133,376</u>		
Fund Balances - Beginning of Year	--	100,315	--	100,315	114,048			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(2,100)			
Provisions for Reserves and/or Designations	--	(2,100)	13,735	11,635	2,100			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 135,474</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Telecommunications Equipment</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 1,741	\$ --	\$ 1,741	\$ 1	\$ (1,740)		
Total Revenues		<u>1,741</u>	<u>--</u>	<u>1,741</u>	<u>1</u>	<u>(1,740)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Telecommunications 2001								
Equipment	\$ --	2,101	1,008	3,109	336	2,773	\$ --	\$ 2,773
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>2,101</u>	<u>1,008</u>	<u>3,109</u>	<u>336</u>	<u>2,773</u>	<u>\$ --</u>	<u>\$ 2,773</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	--	(360)	(1,008)	(1,368)	(335)	<u>1,033</u>		
Fund Balances - Beginning of Year	--	1,393	--	1,393	335			
Provisions for Reserves and/or Designations	--	(1,033)	1,008	(25)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>			

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

	Open Encumbrances July 1, 2003	Original Budget	Mid-Year Adjustments	Final Budget	Actual on Budgetary Basis	Variance Positive (Negative)	Open Encumbrances June 30, 2004	Unspent Appropriations
<b>Regional Park Endowment</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 5	\$ --	\$ 5	\$ 3	\$ (2)		
Other Revenues		2	--	2	1	(1)		
Total Revenues		<u>7</u>	<u>--</u>	<u>7</u>	<u>4</u>	<u>(3)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	11	(1)	10	--	10	\$ --	\$ 10
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>11</u>	<u>(1)</u>	<u>10</u>	<u>--</u>	<u>10</u>	<u>\$ --</u>	<u>\$ 10</u>
Excess (Deficit) of Revenues								
Over Expenditures/ Encumbrances and Other Financing Uses	--	(4)	1	(3)	4	<u>\$ 7</u>		
Fund Balances - Beginning of Year	--	34	--	34	87			
Cancellation of Prior Year Reserves/Designations	--	--	--	--	(84)			
Provisions for Reserves and/or Designations	--	(30)	(1)	(31)	84			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 91</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.

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

	Total	Self-Insured Benefits	Unemployment Insurance
<b><u>ASSETS</u></b>			
Current Assets			
Pooled Cash/Investments	\$ 157,473	\$ 5,311	\$ 9,628
Imprest Cash Funds	133	125	--
Receivables			
Accounts Receivable	175	--	--
Allowance for Uncollectible Receivables	(1)	--	--
Due from Other Funds	1,676	9	42
Due from Component Unit	1	--	--
Due from Other Governmental Agencies	107	--	--
Inventory of Materials and Supplies	286	--	--
Total Current Assets	159,850	5,445	9,670
Noncurrent Assets			
Structures and Improvements	4,509	--	--
Accumulated Depreciation	(3,560)	--	--
Equipment	86,148	--	--
Accumulated Depreciation	(60,881)	--	--
Construction in Progress	704	--	--
Total Noncurrent Assets	26,920	--	--
Total Assets	186,770	5,445	9,670
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	2,905	29	6
Salaries and Employee Benefits Payable	922	--	--
Due to Other Funds	746	154	1
Due to Other Governmental Agencies	5	--	--
Insurance Claims Payable	55,751	328	313
Compensated Employee Absences Payable	920	--	--
Capital Lease Obligations Payable	1,188	--	--
Total Current Liabilities	62,437	511	320
Noncurrent Liabilities			
Insurance Claims Payable	72,083	--	--
Compensated Employee Absences Payable	930	--	--
Capital Lease Obligations Payable	5,244	--	--
Total Noncurrent Liabilities	78,257	--	--
Total Liabilities	140,694	511	320
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	20,491	--	--
Unrestricted	25,585	4,934	9,350
Total Net Assets	\$ 46,076	\$ 4,934	\$ 9,350

Supplemental Information  
(Dollar Amounts in Thousands)

County Indemnity Health Plans	Workers' Compensator	Property & Casualty Risk
\$ 55,144	\$ 37,225	\$ 34,407
--	--	5
1	--	--
(1)	--	--
107	171	124
--	--	--
--	2	--
--	--	--
<u>55,251</u>	<u>37,398</u>	<u>34,536</u>
--	--	--
--	--	--
--	11	5
--	(4)	(3)
--	--	--
<u>--</u>	<u>7</u>	<u>2</u>
<u>55,251</u>	<u>37,405</u>	<u>34,538</u>
8	968	824
--	260	46
6	96	113
--	--	--
13,714	32,677	8,719
--	72	63
--	--	--
<u>13,728</u>	<u>34,073</u>	<u>9,765</u>
--	63,085	8,998
--	161	87
--	--	--
<u>--</u>	<u>63,246</u>	<u>9,085</u>
<u>13,728</u>	<u>97,319</u>	<u>18,850</u>
--	7	3
<u>41,523</u>	<u>(59,921)</u>	<u>15,685</u>
<u>\$ 41,523</u>	<u>\$ (59,914)</u>	<u>\$ 15,688</u>

**ASSETS**

Current Assets

Pooled Cash/Investments
Imprest Cash Funds
Receivables
Accounts Receivable
Allowance for Uncollectible Receivables
Due from Other Funds
Due from Component Unit
Due from Other Governmental Agencies
Inventory of Materials and Supplies

Total Current Assets

Noncurrent Assets

Structures and Improvements
Accumulated Depreciation
Equipment
Accumulated Depreciation
Construction in Progress

Total Noncurrent Assets

Total Assets

**LIABILITIES**

Current Liabilities

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

Total Current Liabilities

Noncurrent Liabilities

Insurance Claims Payable
Compensated Employee Absences Payable
Capital Lease Obligations Payable

Total Noncurrent Liabilities

Total Liabilities

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt
Unrestricted

Total Net Assets

**COMBINING STATEMENT OF NET ASSETS (Continued)**  
**INTERNAL SERVICE FUNDS**

	Transportation	Publishing Services	Information & Technology
<b><u>ASSETS</u></b>			
Current Assets			
Pooled Cash/Investments	\$ 6,516	\$ 1,452	\$ 7,790
Imprest Cash Funds	--	--	3
Receivables			
Accounts Receivable	169	3	2
Allowance for Uncollectible Receivables	--	--	--
Due from Other Funds	1,079	4	140
Due from Component Unit	--	--	1
Due from Other Governmental Agencies	45	50	10
Inventory of Materials and Supplies	174	112	--
Total Current Assets	7,983	1,621	7,946
Noncurrent Assets			
Structures and Improvements	4,509	--	--
Accumulated Depreciation	(3,560)	--	--
Equipment	26,609	982	58,541
Accumulated Depreciation	(17,696)	(473)	(42,705)
Construction in Progress	392	--	312
Total Noncurrent Assets	10,254	509	16,148
Total Assets	18,237	2,130	24,094
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	515	140	415
Salaries and Employee Benefits Payable	301	79	236
Due to Other Funds	142	173	61
Due to Other Governmental Agencies	--	5	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	411	87	287
Capital Lease Obligations Payable	--	--	1,188
Total Current Liabilities	1,369	484	2,187
Noncurrent Liabilities			
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	435	75	172
Capital Lease Obligations Payable	--	--	5,244
Total Noncurrent Liabilities	435	75	5,416
Total Liabilities	1,804	559	7,603
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	10,255	509	9,717
Unrestricted	6,178	1,062	6,774
Total Net Assets	\$ 16,433	\$ 1,571	\$ 16,491



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

	Total	Self-Insured Benefits	Unemployment Insurance
<b>Operating Revenues</b>			
Use of Money and Property	\$ 1,500	\$ --	\$ --
Charges for Services	58,700	--	--
Insurance Premiums	140,616	2,949	1,590
Total Operating Revenues	<u>200,816</u>	<u>2,949</u>	<u>1,590</u>
<b>Operating Expenses</b>			
Salaries and Employee Benefits	13,632	--	--
Services and Supplies	28,012	1	--
Professional Services	28,938	114	83
Operating Leases	5,031	--	--
Insurance Claims	110,797	2,253	1,248
Other Charges	15,144	--	--
Depreciation	5,073	--	--
Total Operating Expenses	<u>206,627</u>	<u>2,368</u>	<u>1,331</u>
Operating Income (Loss)	<u>(5,811)</u>	<u>581</u>	<u>259</u>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental Revenues	42	--	--
Interest Revenue	1,507	50	79
Interest Expense	(552)	--	--
Loss on Disposition of Capital Assets	(124)	(1)	--
Other Revenue - Net	1,547	--	--
Total Nonoperating Revenues	<u>2,420</u>	<u>49</u>	<u>79</u>
Income (Loss) Before Contributions and Transfers	(3,391)	630	338
Capital Contributions	34	--	--
Transfers In	4,286	--	3,260
Increase (Decrease) in Net Assets	<u>929</u>	<u>630</u>	<u>3,598</u>
Net Assets - Beginning of Year	<u>45,147</u>	<u>4,304</u>	<u>5,752</u>
Net Assets - End of Year	<u>\$ 46,076</u>	<u>\$ 4,934</u>	<u>\$ 9,350</u>

Supplemental Information  
(Dollar Amounts in Thousands)

County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk
\$ --	\$ --	\$ --
--	--	--
<u>82,690</u>	<u>39,243</u>	<u>14,144</u>
<u>82,690</u>	<u>39,243</u>	<u>14,144</u>
--	995	921
1,734	40	9,865
2,531	2,562	336
--	9	18
58,362	39,754	9,180
15,121	--	--
--	2	1
<u>77,748</u>	<u>43,362</u>	<u>20,321</u>
<u>4,942</u>	<u>(4,119)</u>	<u>(6,177)</u>
--	2	--
568	312	334
--	--	--
--	--	--
--	728	374
<u>568</u>	<u>1,042</u>	<u>708</u>
5,510	(3,077)	(5,469)
--	--	--
838	--	--
<u>6,348</u>	<u>(3,077)</u>	<u>(5,469)</u>
35,175	(56,837)	21,157
<u>\$ 41,523</u>	<u>\$ (59,914)</u>	<u>\$ 15,688</u>

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

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

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

Income (Loss) Before Contributions and Transfers

Capital Contributions  
Transfers In  
Increase (Decrease) in Net Assets

Net Assets - Beginning of Year  
Net Assets - End of Year

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

	Transportation	Publishing Services	Information & Technology
Operating Revenues			
Use of Money and Property	\$ --	\$ --	\$ 1,500
Charges for Services	15,046	3,532	40,122
Insurance Premiums	--	--	--
Total Operating Revenues	<u>15,046</u>	<u>3,532</u>	<u>41,622</u>
Operating Expenses			
Salaries and Employee Benefits	6,213	1,558	3,945
Services and Supplies	5,989	875	9,508
Professional Services	1,472	311	21,529
Operating Leases	80	846	4,078
Insurance Claims	--	--	--
Other Charges	23	--	--
Depreciation	3,077	61	1,932
Total Operating Expenses	<u>16,854</u>	<u>3,651</u>	<u>40,992</u>
Operating Income (Loss)	<u>(1,808)</u>	<u>(119)</u>	<u>630</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	2	--	38
Interest Revenue	54	15	95
Interest Expense	--	--	(552)
Loss on Disposition of Capital Assets	(114)	(7)	(2)
Other Revenue - Net	158	265	22
Total Nonoperating Revenues	<u>100</u>	<u>273</u>	<u>(399)</u>
Income (Loss) Before Contributions and Transfers	(1,708)	154	231
Capital Contributions	5	--	29
Transfers In	188	--	--
Increase (Decrease) in Net Assets	<u>(1,515)</u>	<u>154</u>	<u>260</u>
Net Assets - Beginning of Year	<u>17,948</u>	<u>1,417</u>	<u>16,231</u>
Net Assets - End of Year	<u>\$ 16,433</u>	<u>\$ 1,571</u>	<u>\$ 16,491</u>





County of Orange  
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**COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS**

	Total	Self-Insured Benefits	Unemployment Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 60,221	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	140,616	2,949	1,590
Payments to Suppliers for Goods and Services	(150,764)	(2,419)	(1,294)
Payments to Employees for Services	(12,925)	--	--
Payments to Other Funds for Interfund Services Provided	48	154	--
Cash Received from (Paid for) Interfund Charges	2,736	2	(27)
Retiree Health Care Contribution	(15,121)	--	--
Other Receipts (Payments)	(3,508)	--	--
Net Cash Provided (Used) by Operating Activities	<u>21,303</u>	<u>686</u>	<u>269</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	4,098	--	3,260
Transfers Out	--	--	--
Intergovernmental Revenues	42	--	--
Net Cash Provided by Noncapital Financing Activities	<u>4,140</u>	<u>--</u>	<u>3,260</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(3,184)	--	--
Interest Paid on Long-Term Debt	(334)	--	--
Principal Paid on Capital Lease Obligations	(1,360)	--	--
Transfers In	188	--	--
Proceeds from Sale of Capital Assets	308	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(4,382)</u>	<u>--</u>	<u>--</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest on Investments	1,503	49	78
Net Cash Provided by Investing Activities	<u>1,503</u>	<u>49</u>	<u>78</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,564	735	3,607
Cash Balances - Beginning of Year	135,042	4,701	6,021
Cash Balances - End of Year	<u>\$ 157,606</u>	<u>\$ 5,436</u>	<u>\$ 9,628</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (5,811)	\$ 581	\$ 259
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	5,073	--	--
Other Revenue - net	1,547	--	--
(Increases) Decreases In:			
Accounts Receivable	34	--	--
Due from Other Funds	2,731	2	(27)
Due from Component Unit	3	--	--
Due from Other Governmental Agencies	(14)	--	--
Inventory of Materials and Supplies	328	--	--
Increases (Decreases) In:			
Accounts Payable	964	(47)	7
Salaries and Employee Benefits Payable	505	--	--
Due to Other Funds	48	154	--
Insurance Claims Payable	15,692	(4)	30
Deferred Revenue	(2)	--	--
Compensated Employee Absences Payable	205	--	--
Total Adjustments	<u>27,114</u>	<u>105</u>	<u>10</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 21,303</u>	<u>\$ 686</u>	<u>\$ 269</u>
<b>Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts</b>			
Pooled Cash/Investments	\$ 157,473	\$ 5,311	\$ 9,628
Imprest Cash Funds	133	125	--
Total Cash and Cash Equivalents	<u>\$ 157,606</u>	<u>\$ 5,436</u>	<u>\$ 9,628</u>

Supplemental Information  
(Dollar Amounts in Thousands)

County Indemnity Health Plans	Workers' Compensation	Property & Casualty Risk	
\$ 1	\$ --	\$ --	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>
82,690	39,243	14,144	Receipts from Customers
(60,444)	(29,745)	(18,119)	Cash Received for Premiums Within the County's Entity
--	(741)	(909)	Payments to Suppliers for Goods and Services
1	(3)	10	Payments to Employees for Services
272	(16)	67	Payments to Other Funds for Interfund Services Provided and Used
(15,121)	--	--	Cash Received from (Paid for) Interfund Charges
--	719	355	Retiree Health Care Contribution
<u>7,399</u>	<u>9,457</u>	<u>(4,452)</u>	Other Receipts (Payments)
			Net Cash Provided (Used) by Operating Activities
838	--	--	<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>
--	--	--	Transfers In
--	2	--	Transfers Out
<u>838</u>	<u>2</u>	<u>--</u>	Intergovernmental Revenues
			Net Cash Provided by Noncapital Financing Activities
--	--	--	<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>
--	--	--	Acquisition of Capital Assets
--	--	--	Interest Paid on Long-Term Debt
--	--	--	Principal Paid on Capital Lease Obligations
--	--	--	Transfers In
<u>--</u>	<u>--</u>	<u>--</u>	Proceeds from Sale of Capital Assets
			Net Cash Used by Capital and Related Financing Activities
568	310	334	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>
<u>568</u>	<u>310</u>	<u>334</u>	Interest on Investments
			Net Cash Provided by Investing Activities
8,805	9,769	(4,118)	Net Increase (Decrease) in Cash and Cash Equivalents
46,339	27,456	38,530	Cash Balances - Beginning of Year
<u>\$ 55,144</u>	<u>\$ 37,225</u>	<u>\$ 34,412</u>	Cash Balances - End of Year
			<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>
\$ 4,942	\$ (4,119)	\$ (6,177)	Operating Income (Loss)
			Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
--	2	1	Depreciation
--	728	374	Other Revenue - net
1	--	--	(Increases) Decreases In:
271	(16)	67	Accounts Receivable
--	--	--	Due from Other Funds
--	--	--	Due from Component Unit
--	--	--	Due from Other Governmental Agencies
--	--	--	Inventory of Materials and Supplies
--	91	301	Increases (Decreases) In:
--	232	12	Accounts Payable
1	(3)	10	Salaries and Employee Benefits Payable
2,184	12,522	960	Due to Other Funds
--	(2)	--	Insurance Claims Payable
--	22	--	Deferred Revenue
<u>2,457</u>	<u>13,576</u>	<u>1,725</u>	Compensated Employee Absences Payable
<u>\$ 7,399</u>	<u>\$ 9,457</u>	<u>\$ (4,452)</u>	Total Adjustments
			Net Cash Provided (Used) by Operating Activities
\$ 55,144	\$ 37,225	\$ 34,407	<b>Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts</b>
--	--	5	Pooled Cash/Investments
<u>\$ 55,144</u>	<u>\$ 37,225</u>	<u>\$ 34,412</u>	Imprest Cash Funds
			Total Cash and Cash Equivalents

(Continued)

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**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**INTERNAL SERVICE FUNDS**

	Transportation	Publishing Services	Information & Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 15,037	\$ 3,522	\$ 41,661
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(6,970)	(1,089)	(30,684)
Payments to Employees for Services	(6,128)	(1,538)	(3,609)
Payments to Other Funds for Interfund Services Provided and Used	(68)	115	(161)
Cash Received from (Paid for) Interfund Charges	1,852	411	175
Retiree Health Care Contribution	--	--	--
Other Receipts (Payments)	55	(581)	(4,056)
Net Cash Provided (Used) by Operating Activities	<u>3,778</u>	<u>840</u>	<u>3,326</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	--	--	--
Transfers Out	--	--	--
Intergovernmental Revenues	2	--	38
Net Cash Provided by Noncapital Financing Activities	<u>2</u>	<u>--</u>	<u>38</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(2,362)	(34)	(788)
Interest Paid on Long-Term Debt	--	--	(334)
Principal Paid on Capital Lease Obligations	--	--	(1,360)
Transfers In	188	--	--
Proceeds from Sale of Capital Assets	310	--	(2)
Net Cash Used by Capital and Related Financing Activities	<u>(1,864)</u>	<u>(34)</u>	<u>(2,484)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest on Investments	54	15	95
Net Cash Provided by Investing Activities	<u>54</u>	<u>15</u>	<u>95</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,970	821	975
Cash Balances - Beginning of Year	4,546	631	6,818
Cash Balances - End of Year	<u>\$ 6,516</u>	<u>\$ 1,452</u>	<u>\$ 7,793</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (1,808)	\$ (119)	\$ 630
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,077	61	1,932
Other Revenue - net	158	265	22
(Increases) Decreases In:			
Accounts Receivable	(4)	(3)	40
Due from Other Funds	1,852	407	175
Due from Component Unit	--	4	(1)
Due from Other Governmental Agencies	(5)	(8)	(1)
Inventory of Materials and Supplies	351	(23)	--
Increases (Decreases) In:			
Accounts Payable	139	120	353
Salaries and Employee Benefits Payable	98	24	139
Due to Other Funds	(68)	115	(161)
Insurance Claims Payable	--	--	--
Deferred Revenue	--	--	--
Compensated Employee Absences Payable	(12)	(3)	198
Total Adjustments	<u>5,586</u>	<u>959</u>	<u>2,696</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,778</u>	<u>\$ 840</u>	<u>\$ 3,326</u>
<b>Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts</b>			
Pooled Cash/Investments	\$ 6,516	\$ 1,452	\$ 7,790
Imprest Cash Funds	--	--	3
Total Cash and Cash Equivalents	<u>\$ 6,516</u>	<u>\$ 1,452</u>	<u>\$ 7,793</u>



## **FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the County in a trustee or agency capacity on behalf of outside parties, including employees, individuals, private organizations or other governments. These funds cannot be used to support the County's programs. When these assets are held under a formal trust agreement, a trust fund is used. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity.

### 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 Defined Benefit Plan

This fund is used to account for the retirement plan for employees performing services on the basis of less than half-time or as extra help. This retirement plan was closed to new participants as of February 28, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System.

##### Extra Help Defined Contribution Plan

This fund is used to account for the defined contribution retirement plan for extra help and part time employees. This plan replaced the Defined Benefit Retirement Plan and was effective for new employees on March 1, 2002. The eligible employees of these plans are not covered by the Orange County Employees Retirement System.

##### 401(a) Defined Contribution Plan

This fund accounts for the 401(a) retirement plan, which was established on January 1999 for eligible employees, including the members of the Board of Supervisors, certain executive managers, administrative managers included in the Executive Policy Unit, attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document.

Agency Funds

Unapportioned Tax and Interest Funds

This group of funds is used to account for the collection of property taxes, and later distribution of such taxes, as well as the interest earned on them. Included are taxes collected by the County for other governmental units using the County treasury, as well as governmental units not using the County treasury, such as cities.

Departmental Funds

This group of funds is used by certain County officers to hold various types of cash receipts and deposits in a fiduciary capacity. Disbursements are made from these funds by checks issued by the County Auditor-Controller upon requisition of the responsible officer.

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**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 INVESTMENT TRUST FUNDS**

	Total	Investment Pool	Educational Investment Pool
<b>ASSETS</b>			
Pooled Cash/Investments	\$ 2,496,410	\$ 243,345	\$ 2,253,065
Receivables			
Interest/Dividends	5,926	13	5,913
Due from Other Funds	612	612	--
Total Assets	2,502,948	243,970	2,258,978
 <b>LIABILITIES</b>			
Due to Other Funds	111	111	--
Total Liabilities	111	111	--
 <b>NET ASSETS</b>			
Held in Trust	2,502,837	243,859	2,258,978
Total Net Assets	\$ 2,502,837	\$ 243,859	\$ 2,258,978



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**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra Help Defined Benefit Retirement Plan	Extra Help Defined Contribution Plan	401(A) Defined Contribution Plan
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 4,696	\$ 4,696	\$ --	\$ --
Restricted Cash and Investments with Trustee	4,325	--	1,143	3,182
Due from Other Funds	9	9	--	--
Due from Other Governmental Agencies	771	771	--	--
Total Assets	9,801	5,476	1,143	3,182
 <b>LIABILITIES</b>				
Accounts Payable	\$ 148	\$ 148	\$ --	\$ --
Total Liabilities	148	148	--	--
 <b>NET ASSETS</b>				
Held in Trust	9,653	5,328	1,143	3,182
Total Net Assets	\$ 9,653	\$ 5,328	\$ 1,143	\$ 3,182

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
<b>ASSETS</b>			
Pooled Cash/Investments	\$ 144,805	\$ 89,998	\$ 54,807
Imprest Cash Funds	110	--	110
Restricted Cash and Investments with Trustee	15,993	--	15,993
Investments	1,116	--	1,116
Deposits In-Lieu of Cash	15,079	--	15,079
Receivables			
Accounts	8,560	8,537	23
Taxes	140,558	140,524	34
Interest/Dividends	5,900	5,900	--
Allowance For Uncollectible Receivables	(2)	(2)	--
Due from Other Funds	105	--	105
Due from Other Governmental Agencies	2,508	437	2,071
Notes Receivable	7,783	--	7,783
Total Assets	<u>\$ 342,515</u>	<u>\$ 245,394</u>	<u>\$ 97,121</u>
<b>LIABILITIES</b>			
Deposits from Others	\$ 361	\$ --	\$ 361
Monies Held for Others	78,742	757	77,985
Due to Other Funds	7,554	4,574	2,980
Due to Component Unit	289	289	--
Due to Other Governmental Agencies	29,012	13,217	15,795
Unapportioned Taxes	226,557	226,557	--
Total Liabilities	<u>\$ 342,515</u>	<u>\$ 245,394</u>	<u>\$ 97,121</u>



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**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 INVESTMENT TRUST FUNDS**

	Total	Investment Pool	Educational Investment Pool
<b>Additions:</b>			
Contributions to Pooled Investments	\$ 6,495,229	\$ 815,813	\$ 5,679,416
Interest and Investment Income	28,901	4,735	24,166
Less: Investment Expense	<u>(2,868)</u>	<u>(211)</u>	<u>(2,657)</u>
Total Additions	<u>6,521,262</u>	<u>820,337</u>	<u>5,700,925</u>
<b>Deductions:</b>			
Distributions from Pooled Investments	<u>6,242,799</u>	<u>787,365</u>	<u>5,455,434</u>
Total Deductions	<u>6,242,799</u>	<u>787,365</u>	<u>5,455,434</u>
 Change in Net Assets Held in Trust For:			
External Investment Pool	278,463	32,972	245,491
 Net Assets Held in Trust, Beginning of Year	<u>2,224,374</u>	<u>210,887</u>	<u>2,013,487</u>
Net Assets Held in Trust, End of Year	<u>\$ 2,502,837</u>	<u>\$ 243,859</u>	<u>\$ 2,258,978</u>

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**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS**

	Total	Extra Help Defined Benefit Retirement Plan	Extra Help Defined Contribution Plan	401 (A) Defined Contribution Plan
<b>Additions:</b>				
Contributions to Pension Trust	\$ 2,593	\$ 879	\$ 680	\$ 1,034
Interest and Investment Income	274	52	32	190
Less: Investment Expense	(5)	(5)	--	--
Total Additions	2,862	926	712	1,224
<b>Deductions:</b>				
Benefits Paid to Participants	48	48	--	--
Refunds of Prior Contributions	907	662	192	53
Total Deductions	955	710	192	53
Change in Net Assets Held in Trust For: Employees' Retirement	1,907	216	520	1,171
Net Assets Held in Trust, Beginning of Year	7,746	5,112	623	2,011
Net Assets Held in Trust, End of Year	\$ 9,653	\$ 5,328	\$ 1,143	\$ 3,182

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

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 92,261	\$ 4,323,541	\$ 4,325,804	\$ 89,998
Receivables				
Accounts	8,778	8,534	8,775	8,537
Taxes	155,478	10,583,694	10,598,648	140,524
Interest	7,654	23,654	25,408	5,900
Allowance for Uncollectible Receivables	--	--	2	(2)
Due from Other Funds	--	20,043	20,043	--
Due from Other Governmental Agencies	564	1,893	2,020	437
Total Assets	<u>\$ 264,735</u>	<u>\$ 14,961,359</u>	<u>\$ 14,980,700</u>	<u>\$ 245,394</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ --	\$ 95,611	\$ 95,611	\$ --
Monies Held for Others	1,228	10,539	11,010	757
Due to Other Funds	5,115	54,653	55,194	4,574
Due to Component Unit	339	289	339	289
Due to Other Governmental Agencies	16,445	72,536	75,764	13,217
Unapportioned Taxes	241,608	4,305,068	4,320,119	226,557
Total Liabilities	<u>\$ 264,735</u>	<u>\$ 4,538,696</u>	<u>\$ 4,558,037</u>	<u>\$ 245,394</u>

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 60,728	\$ 2,422,210	\$ 2,428,131	\$ 54,807
Imprest Cash Funds	10	100	--	110
Restricted Cash and Investments with Trustee	13,389	38,103	35,499	15,993
Investments	1,322	836	1,042	1,116
Deposits In-Lieu of Cash	15,583	2,562	3,066	15,079
Receivables				
Accounts	23	10	10	23
Taxes	118	227	311	34
Allowance for Uncollectible Receivables	--	3	3	--
Due from Other Funds	272	597,875	598,042	105
Due from Other Governmental Agencies	162	126,664	124,755	2,071
Notes Receivable	6,397	3,038	1,652	7,783
Total Assets	<u>\$ 98,004</u>	<u>\$ 3,191,628</u>	<u>\$ 3,192,511</u>	<u>\$ 97,121</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ --	\$ 309,685	\$ 309,685	\$ --
Salaries and Employee Benefits Payable	--	2,648	2,648	--
Deposits From Others	350	41,881	41,870	361
Monies Held for Others	85,094	1,985,355	1,992,464	77,985
Due to Other Funds	1,533	300,272	298,825	2,980
Due to Other Governmental Agencies	11,027	668,213	663,445	15,795
Deferred Revenue	--	5,104	5,104	--
Total Liabilities	<u>\$ 98,004</u>	<u>\$ 3,313,158</u>	<u>\$ 3,314,041</u>	<u>\$ 97,121</u>

Supplemental Information  
(Dollar Amounts in Thousands)

<u>TOTAL - ALL AGENCY FUNDS</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 152,989	\$ 6,745,751	\$ 6,753,935	\$ 144,805
Imprest Cash Funds	10	100	--	110
Restricted Cash and Investments with Trustee	13,389	38,103	35,499	15,993
Investments	1,322	836	1,042	1,116
Deposits In-Lieu of Cash	15,583	2,562	3,066	15,079
Receivables				
Accounts	8,801	8,544	8,785	8,560
Taxes	155,596	10,583,921	10,598,959	140,558
Interest	7,654	23,654	25,408	5,900
Allowance for Uncollectible Receivables	--	3	5	(2)
Due from Other Funds	272	617,918	618,085	105
Due from Other Governmental Agencies	726	128,557	126,775	2,508
Notes Receivable	6,397	3,038	1,652	7,783
Total Assets	<u>\$ 362,739</u>	<u>\$ 18,152,987</u>	<u>\$ 18,173,211</u>	<u>\$ 342,515</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ --	\$ 405,296	\$ 405,296	\$ --
Salaries and Employee Benefits Payable	--	2,648	2,648	--
Deposits from Others	350	41,881	41,870	361
Monies Held for Others	86,322	1,995,894	2,003,474	78,742
Due to Other Funds	6,648	354,925	354,019	7,554
Due to Component Unit	339	289	339	289
Due to Other Governmental Agencies	27,472	740,749	739,209	29,012
Unapportioned Taxes	241,608	4,305,068	4,320,119	226,557
Deferred Revenue	--	5,104	5,104	--
Total Liabilities	<u>\$ 362,739</u>	<u>\$ 7,851,854</u>	<u>\$ 7,872,078</u>	<u>\$ 342,515</u>







# Statistical Section

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**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.

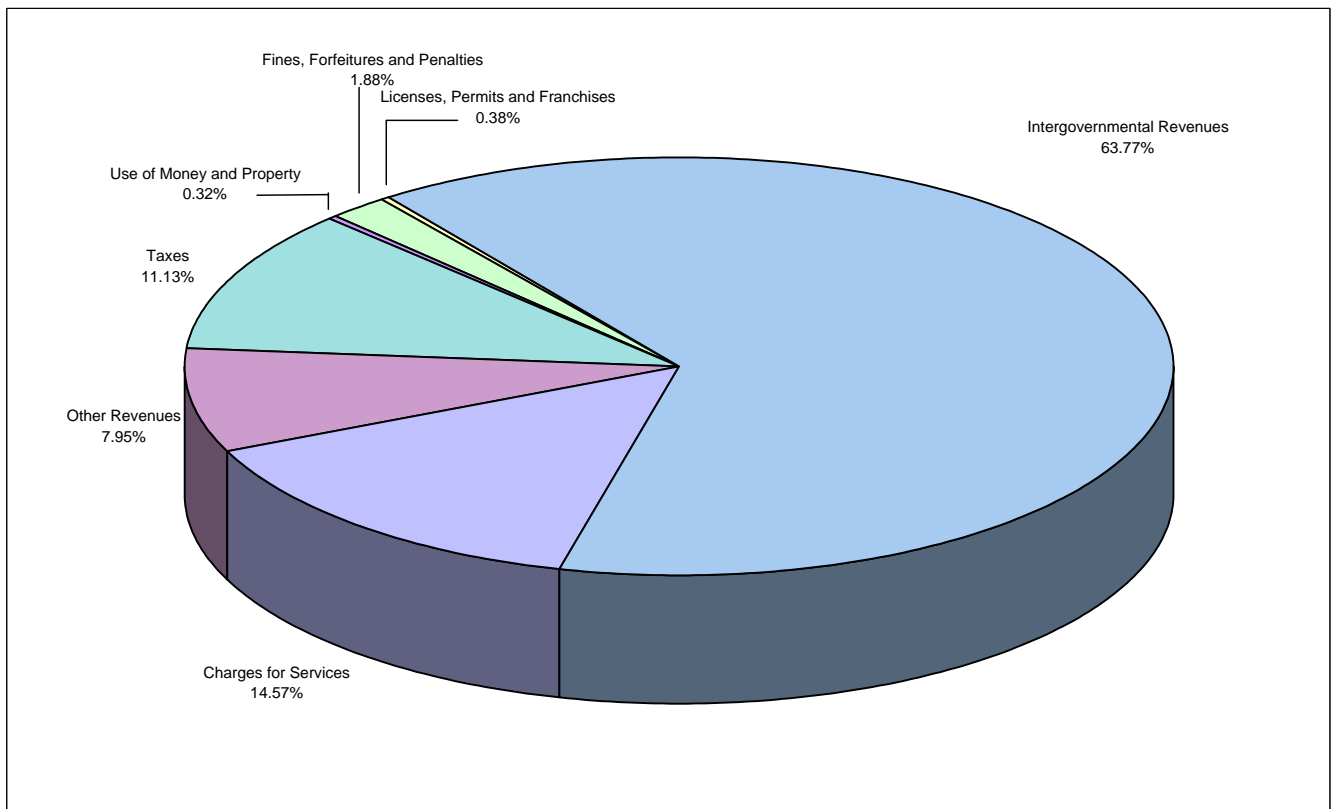
A table denoting Special Assessment Billings and Collections is not included herein because the County is not obligated in any manner for special assessment debt.

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

**GENERAL GOVERNMENTAL REVENUES BY SOURCE  
 GENERAL FUND  
 LAST TEN FISCAL YEARS**

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
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
2003-04	237,544	8,099	40,210	6,869	--	1,361,531	311,082	169,632	2,134,967

**GENERAL GOVERNMENTAL REVENUES BY SOURCE  
 GENERAL FUND**

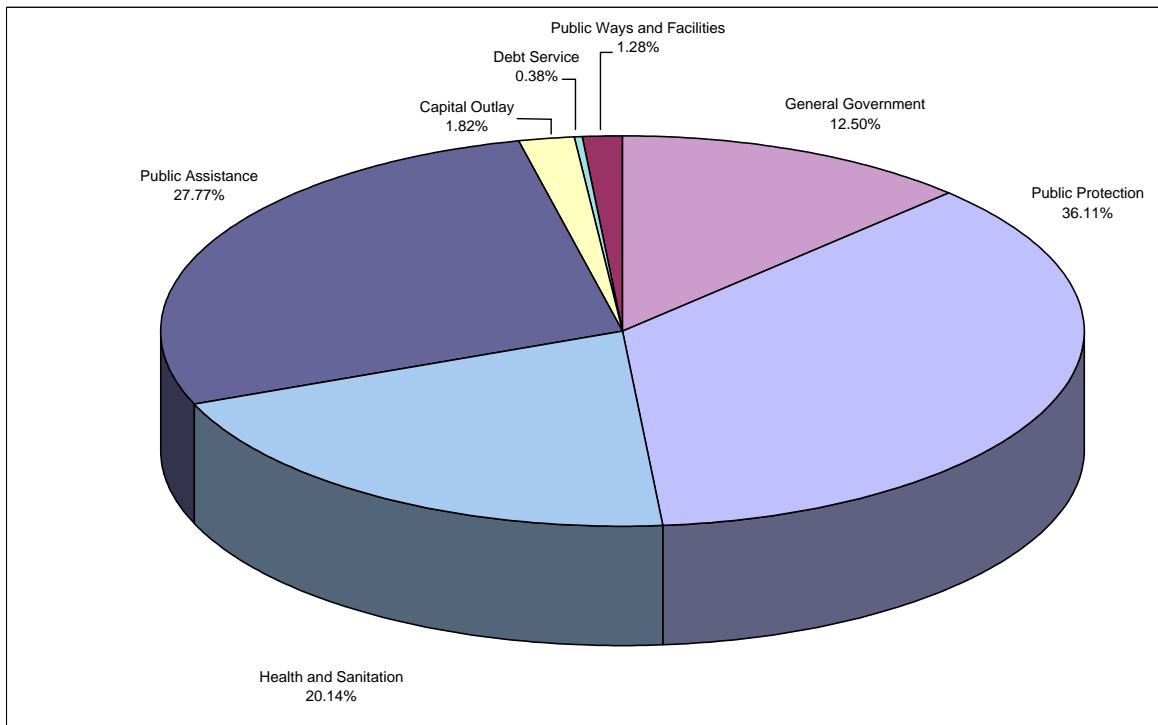


Source: Auditor Controller, County of Orange

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
GENERAL FUND  
LAST TEN FISCAL YEARS**

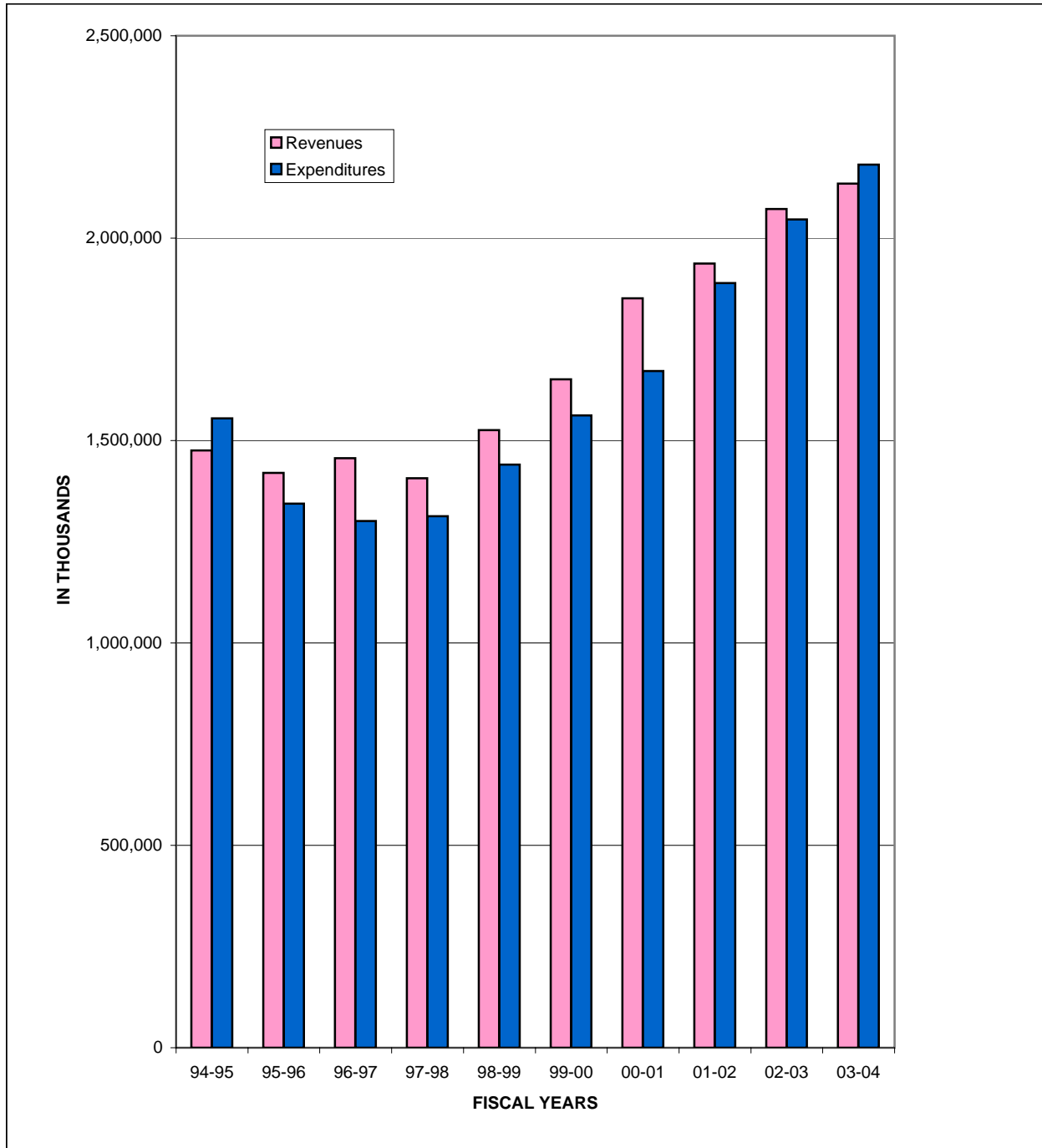
Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Capital Outlay	Debt Service	Total Expenditures
1994-95	\$ 126,065	\$ 514,340	\$ --	\$ 222,733	\$ 533,194	\$ 22,935	\$ 135,806	\$ 1,555,073
1995-96	123,511	433,499	--	230,104	514,122	11,759	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
2003-04	272,762	788,007	27,967	439,376	605,829	39,681	8,322	2,181,944

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION  
GENERAL FUND**



Source: Auditor Controller, County of Orange

**COMPARISON OF GENERAL GOVERNMENTAL REVENUES TO EXPENDITURES  
GENERAL FUND  
LAST TEN FISCAL YEARS**



Source: Auditor Controller

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**PROPERTY TAX LEVIES AND COLLECTIONS  
GENERAL FUND  
LAST TEN FISCAL YEARS**

Fiscal Year	Secured Tax Levy	Unsecured Tax Levy	Total Tax Levy	Total Tax Collections through June 30	Outstanding Delinquent Taxes	Ratio of Delinquency to Tax Levy
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%
2003-04	139,362	7,425	146,787	145,287	1,500	1.02%

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

**ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Secured Assessed Value</u>	<u>Unsecured Assessed Value</u>	<u>Total Assessed Value</u>
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
2003-04	270,854,284	17,069,544	287,923,828

Assessed value is stated at taxable full cash value.

**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
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
2005	1.00000	0.04718	0.00000	0.06936	1.11654

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.



**PRINCIPAL TAXPAYERS**

(A) Ten Largest Secured Taxpayers	(B) Type of Business	(A) Secured Taxes Paid	Percentage of Secured Taxes Paid to Total Secured Tax Collections (\$3,091,751) (A)
The Irvine Company	Property Management and Development	\$ 43,395	1.40 %
Walt Disney World Company	Entertainment	26,352	0.85
Irvine Apartment Communities	Property Management and Development	18,644	0.60
Southern California Edison Company	Public Utility	13,955	0.45
SBC California	Public Utility	9,876	0.32
Walt Disney World Company	Entertainment	6,716	0.22
United Laguna Hills	Real Estate Development	5,403	0.17
Irvine Co. of W VA (Newport Harbor Nautical Museum)	Real Estate Development	5,086	0.16
McDonnell Douglas Corporation	Aerospace	4,354	0.14
Irvine Community Development	Property Management and Development	4,103	0.13
		<u>\$ 137,884</u>	<u>4.44 %</u>

(A) Ten Largest Unsecured Taxpayers	(B) Type of Business	(A) Unsecured Taxes Paid	Percentage of Unsecured Taxes Paid to Total Unsecured Tax Collections (\$183,135) (A)
Cox Communications Orange	Cable Communications	\$ 7,256	3.96 %
KBL Cablesystems of the South	Cable Communications	1,968	1.07
Gensia Sicor Pharmaceuticals, Inc.	Pharmaceutical Industry	1,743	0.95
Continental Airlines Incorporated	Transportation	1,717	0.94
America West Airlines Incorporated	Transportation	1,508	0.82
Ralphs Grocery Corporation	Food Industry	1,507	0.82
American Airlines Incorporated	Transportation	1,506	0.82
IBM Credit LLC	Finance	1,426	0.78
Delta Airlines Incorporated	Transportation	1,255	0.69
McDonnell Douglas Corporation	Aerospace	1,215	0.66
		<u>\$ 21,101</u>	<u>11.51 %</u>

Sources:  
 (A) Treasurer-Tax Collector, County of Orange  
 (B) Assessor, 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**

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
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
2003-04	3,017	287,923,828	--	--	--	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) The Department of Finance Demographic Research Unit  
 (B) Auditor-Controller, County of Orange

**COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS**

Fiscal Year	(1) Assessed Value	(2) Legal Debt Limit	(3) Net General Obligation Bonded Debt	(4) Legal Debt Margin
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
2003-04	287,923,828	3,599,048	--	3,599,048

(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.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
GENERAL FUND  
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest	(1) Total Debt Service Expenditures	(2) Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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
2003-04	--	--	--	2,181,944	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.

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2004

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**

2003-04 Assessed Valuation	\$	287,923,828	(includes unitary utility valuation)
Redevelopment Incremental Valuation		<u>24,808,370</u>	
Adjusted Assessed Valuation	\$	<u>263,115,458</u>	

<u>Direct Tax, Assessment and Other Debt:</u>	<u>Applicable</u>	<u>June 30, 2004</u>
Orange County Teeter Plan Obligations (Direct Debt)	100.000 %	\$ 123,725 (a)
Orange County General Fund Obligations (Direct Debt)	100.000	926,319 (1)
Orange County Pension Obligations (Direct Debt)	100.000	<u>102,932 (1)</u>
Total Direct Tax, Assessment and Other Debt		<u>1,152,976</u>

<u>Overlapping Tax, Assessment and Other Debt</u>		
Metropolitan Water District	21.195 %	94,842 (a)
Coast Community College District	100.000	110,000 (a)
North Orange County Joint Community College District	97.226	231,236 (a)
Rancho Santiago Community College District	100.000	96,125 (a)
Unified School Districts	100.000	466,420 (a)
Anaheim Union High School District	100.000	117,334 (a)
Fullerton Joint Union High School District	90.532	32,884 (a)
School Districts	100.000	184,272 (a)
Irvine Ranch Water District Improvement Districts	100.000	219,490 (a)
Moulton-Niguel Water District Improvement Districts	100.000	63,005 (a)
Santa Margarita Water District Improvement Districts	100.000	216,250 (a)
Other Water Districts	100.000	8,835 (a)
Cities	100.000	30,840 (a)
Orange County Community Facilities Districts	100.000	651,385 (a)
Other Community Facilities Districts	100.000	1,091,822 (a)
City and Special District 1915 Act Bonds	100.000	851,265 (a)
County 1915 Act Bonds	100.000	113,934 (a)
Orange County Board of Education Certificates of Participation	100.000	19,950
Orange County Transit Authority	100.000	4,940
Municipal Water District of Orange Co. (MWDOC) Water Facilities Corporation	100.000	41,715
Orange County Sanitation District Certificates of Participation	100.000	149,465
Community College District Certificates of Participation	100.000	49,550
Unified School District Certificates of Participation	100.000	201,842
High School District Certificates of Participation	90.532 -100	47,813
School District Certificates of Participation	100.000	26,350
Irvine Ranch Water District Certificates of Participation	100.000	48,800
Moulton-Niguel Water District Certificates of Participation	100.000	34,900
Other Special District General Fund Obligations	100.000	43,050
City of Anaheim General Fund Obligations	100.000	680,770
Other City General Fund Obligations	100.000	<u>581,454</u>
Total Gross Overlapping Tax, Assessment and Other Bonded Debt		<u>6,510,538</u>
Less: Orange County Transit Authority (80% self-supporting)		3,952
MWDOC Water Facilities Corporation (100% self-supporting)		41,715
City of Anaheim self-supporting obligations (100% self-supporting)		644,659
Other city authority self-supporting bonds		40,329
South Coast Water District Enterprise Revenue Bonds (100% self-supporting)		<u>3,795</u>
Total Net Overlapping Tax, Assessment and Other Bonded Debt		<u>5,776,088</u>
Gross Combined Total Debt		<u>7,663,514 (2)</u>
Net Combined Total Direct and Overlapping Bonded Debt		<u>\$ 6,929,064</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 2003-04 Assessed Valuation:

Direct Debt	\$123,725		0.04 %
Total Net Direct and Overlapping Tax and Assessment Debt	Σ	of (a) =	\$ 4,703,644 1.63 %

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt	\$1,152,976		0.44 %
Gross Combined Total Debt			2.91 %
Net Combined Total Debt			2.63 %

State School Building Aid Repayable as of June 30, 2004: \$ 12,541

**REVENUE BOND COVERAGE - AIRPORT ENTERPRISE FUND  
LAST TEN FISCAL YEARS**

Year Ended June 30	(A) Gross Revenue	(A) Operating Expenses	Net Revenue Available for Debt Service	(B) Debt Service Requirements			Coverage
				Principal	Interest	Total	
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 (1,2)	1.2
1998	71,220	42,055	29,165	4,980	11,603	16,583 (3)	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 (4)	1.5
2004	93,523	68,086	25,437	10,780	7,628	18,408	1.4

- (1) On July 1, 1996, the Airport Enterprise Fund fully redeemed the outstanding 1990 Certificates of Participation utilizing existing Airport reserves.
- (2) 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.
- (3) On July 1, 1997, the Airport Enterprise Fund fully redeemed the outstanding 1987 revenue bonds utilizing existing Airport reserves.
- (4) 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

**REVENUE BOND COVERAGE - WASTE MANAGEMENT ENTERPRISE FUND  
 LAST TEN FISCAL YEARS**

Year Ended June 30	(A) Gross Revenue	(A) Operating Expenses	Net Revenue Available for Debt Service	(B) Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2004	118,026	66,946	51,080	4,080	3,535	7,615	6.7

(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

**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)
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
2004	3,017	74,200 *	517	3.6

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

Sources:

- (A) California Department of Finance
- (B) U.S. Department of Housing and Urban Development
- (C) Orange County Department of Education
- (D) State of California, Employment Development Department



County of Orange  
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**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS  
 LAST TEN FISCAL YEARS**

Fiscal Year	(A) *	(B)	Calendar Year	(C)	(C)		(C)
	Assessed Property Value			Total Bank Deposits	Non-Residential Construction	Residential Construction	
	Value			Value	Number of Units	Value	
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
2003-04	287,923,828	57,732,000	2004	1,065,110	8,976	2,253,211	3,318,321

\* 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 2004

**POPULATION AND HOUSING STATISTICS**

	<u>Population by City, 2000 and 2004</u>			<u>Housing Units by City, 2000 and 2004</u>		
	(A)	(B)	Percent Change	(A)	(B)	Percent Change
	2000	2004		2000	2004	
Aliso Viejo	42,509 (1)	44,833	5.47% (1)	17,243 (1)	17,968	4.20%
Anaheim	328,014	343,046	4.58%	99,719	101,527	1.81%
Brea	35,410	38,960	10.03%	13,327	14,292	7.24%
Buena Park	78,282	80,634	3.00%	23,826	23,848	0.09%
Costa Mesa	108,724	113,011	3.94%	40,406	40,947	1.34%
Cypress	46,229	48,450	4.80%	16,028	16,381	2.20%
Dana Point	35,110	36,532	4.05%	15,682	15,880	1.26%
Fountain Valley	54,978	56,521	2.81%	18,473	18,482	0.05%
Fullerton	126,003	134,187	6.50%	44,771	46,296	3.41%
Garden Grove	165,196	171,042	3.54%	46,703	47,069	0.78%
Huntington Beach	189,594	198,835	4.87%	75,662	77,221	2.06%
Irvine	143,072	171,828	20.10%	53,711	63,014	17.32%
Laguna Beach	23,727	24,774	4.41%	12,965	13,174	1.61%
Laguna Hills	31,178	33,010	5.88%	11,303	11,108	(1.73%)
Laguna Niguel	61,891	65,669	6.10%	23,885	24,664	3.26%
Laguna Woods	16,507	18,287	10.78%	12,650	13,629	7.74%
La Habra	58,974	61,454	4.21%	19,441	19,719	1.43%
Lake Forest	58,707	77,666	32.29%	20,486	26,385	28.80%
La Palma	15,408	16,040	4.10%	5,066	5,131	1.28%
Los Alamitos	11,536	11,933	3.44%	4,329	4,362	0.76%
Mission Viejo	93,102	97,752	4.99%	32,985	33,714	2.21%
Newport Beach	70,032	80,831	15.42%	37,288	41,851	12.24%
Orange	128,821	136,701	6.12%	41,904	43,372	3.50%
Placentia	46,488	49,891	7.32%	15,326	16,010	4.46%
Rancho Santa Margarita	47,214	49,023	3.83%	16,515	16,684	1.02%
San Clemente	49,936	63,079	26.32%	20,653	25,414	23.05%
San Juan Capistrano	33,826	35,834	5.94%	11,320	11,676	3.14%
Santa Ana	337,977	349,123	3.30%	74,588	75,006	0.56%
Seal Beach	24,157	24,964	3.34%	14,267	14,347	0.56%
Stanton	37,403	38,614	3.24%	11,011	11,065	0.49%
Tustin	67,504	70,339	4.20%	25,501	25,850	1.37%
Villa Park	5,999	6,202	3.38%	2,008	2,020	0.60%
Westminster	88,207	91,464	3.69%	26,940	27,185	0.91%
Yorba Linda	58,918	63,991	8.61%	19,567	20,681	5.69%
Unincorporated	168,165	112,778	(32.94%)	61,178	37,957	(37.96%)
<b>Total County</b>	<b>2,888,798</b>	<b>3,017,298</b>	<b>4.45%</b>	<b>986,727</b>	<b>1,003,929</b>	<b>1.74%</b>

(1) The City of Aliso Viejo was incorporated July 1, 2001. In order to provide a basis to measure growth, Column (A) uses 2002 information for this city.

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, 2004

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**MISCELLANEOUS STATISTICS**

County Creation Date (A)	-	March 11, 1889	
Form of Government (A)	-	Charter County	
County Seat (A)	-	Santa Ana, California	
Area (A)	-	798 square miles	
Elevation Range (A)	-	Sea level to 5,687' at Santiago Peak	
Coastline (A)	-	42 miles	
Median Home Price (B)	-	\$540,000	
Largest Crops (C)	-	Nursery Stock and Cut Flowers	\$ 214,232,056
		Strawberries	\$ 58,477,975
		Avocados	\$ 19,533,516
Education (D)	-	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 (E)	-	Republican	724,260
		Democrat	452,694
		Non-partisan	258,857
		American Independent	29,159
		Libertarian	10,253
		Green	8,484
		Peace and Freedom	3,708
		Natural Law	2,517
		Other parties	5,892
		Total Registered Voters	<u><u>1,495,824</u></u>

Sources:

- (A) County of Orange
- (B) DataQuick Information Systems
- (C) Resources and Development Management Department, County of Orange
- (D) Orange County Department of Education
- (E) Registration & Elections Department, County of Orange