

County of Orange 2004-2005 Comprehensive Annual Financial Report

For the Year Ended June 30, 2005



David E. Sundstrom, CPA
Auditor-Controller

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2005



David E. Sundstrom, CPA
Auditor-Controller

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal 1
 GFOA Certificate of Achievement for Excellence in Financial Reporting..... 10
 Principal County Officials..... 11
 Organizational Chart..... 12

FINANCIAL SECTION

Independent Auditor’s Report 13
 Management’s Discussion and Analysis (MD&A) (Required Supplementary Information) 15
 Basic Financial Statements:
 Government-Wide Financial Statements:
 Statement of Net Assets 38
 Statement of Activities 40
 Fund Financial Statements:
 Governmental Fund Financial Statements
 Balance Sheet 42
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets 44
 Statement of Revenues, Expenditures and Changes in Fund Balances 46
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities 48
 Budgetary Comparison Statement
 General Fund..... 50
 Roads..... 52
 Public Library 54
 Tobacco Settlement 56
 Flood Control District..... 58
 Harbors, Beaches, and Parks 60
 Proprietary Fund Financial Statements:
 Statement of Net Assets 62
 Statement of Revenues, Expenses and Changes in Fund Net Assets..... 64
 Statement of Cash Flows..... 65
 Fiduciary Fund Financial Statements:
 Statement of Fiduciary Net Assets 67
 Statement of Changes in Fiduciary Net Assets 68

FINANCIAL SECTION (Continued)

Basic Financial Statements (Cont'd):

Notes to the Basic Financial Statements

1. Summary of Significant Accounting Policies.....	69
2. Deficit Equity Balances of Individual Funds.....	84
3. Deposits and Investments.....	85
4. Changes in Capital Assets.....	93
5. Receivables.....	95
6. Interfund Receivables and Payables.....	96
7. County Property on Lease to Others.....	98
8. Interfund Transfers.....	99
9. Long-Term Obligations.....	101
10. Conduit Debt Obligations.....	112
11. Leases.....	113
12. Reserved Fund Balances.....	114
13. Landfill Site Closure and Postclosure Care Costs.....	115
14. Construction and Other Significant Commitments.....	116
15. Self-Insurance.....	118
16. Estimated Liability for Other Litigation and Claims.....	120
17. Retirement Plans.....	123
18. Postretirement Health Care Benefits.....	134
19. Subsequent Events.....	137

Supplemental Information:

Major Governmental Debt Service Fund

Budgetary Comparison Schedule.....	141
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Nonmajor Governmental Funds:

Combining Balance Sheet.....	145
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	150
Combining Budgetary Comparison Schedule	
Special Revenue.....	155
Debt Service.....	164
Capital Projects.....	166
Permanent Fund.....	169

Internal Service Funds:

Combining Statement of Net Assets.....	171
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	174
Combining Statement of Cash Flows.....	177

Fiduciary Funds:

Combining Statement of Fiduciary Net Assets – Investment Trust Funds.....	181
Combining Statement of Fiduciary Assets and Liabilities – All Agency Funds.....	182
Combining Statement of Changes in Fiduciary Net Assets – Investment Trust Funds.....	183
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	184

STATISTICAL SECTION

General Governmental Revenues by Source - General Fund	187
General Governmental Expenditures by Function - General Fund.....	188
Comparison of General Governmental Revenues to Expenditures - General Fund	189
Property Tax Levies and Collections - General Fund.....	190
Assessed Value of Taxable Property	191
Average Property Tax Rates - Direct and Overlapping Governments	192
Principal Taxpayers	193
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	194
Computation of Legal Debt Margin	195
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures - General Fund	196
Computation of Direct and Overlapping Bonded Debt	197
Revenue Bond Coverage - Airport Enterprise Fund	198
Revenue Bond Coverage - Waste Management Enterprise Fund.....	199
Demographic Statistics	200
Property Value, Construction and Bank Deposits	201
Population and Housing Statistics	202
Miscellaneous Statistics	203





INTRODUCTORY SECTION





**AUDITOR-CONTROLLER
COUNTY OF ORANGE**

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INFORMATION TECHNOLOGY

DAVID E. SUNDSTROM, CPA
AUDITOR-CONTROLLER

December 2, 2005

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California (County), for the fiscal year ended June 30, 2005, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles 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. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Macias Gini & Company LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County for the fiscal year ended June 30, 2005, are free of material misstatement. The independent certified public accounting firm has issued an unqualified ("clean") opinion on the County's financial statements as of and for the fiscal year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

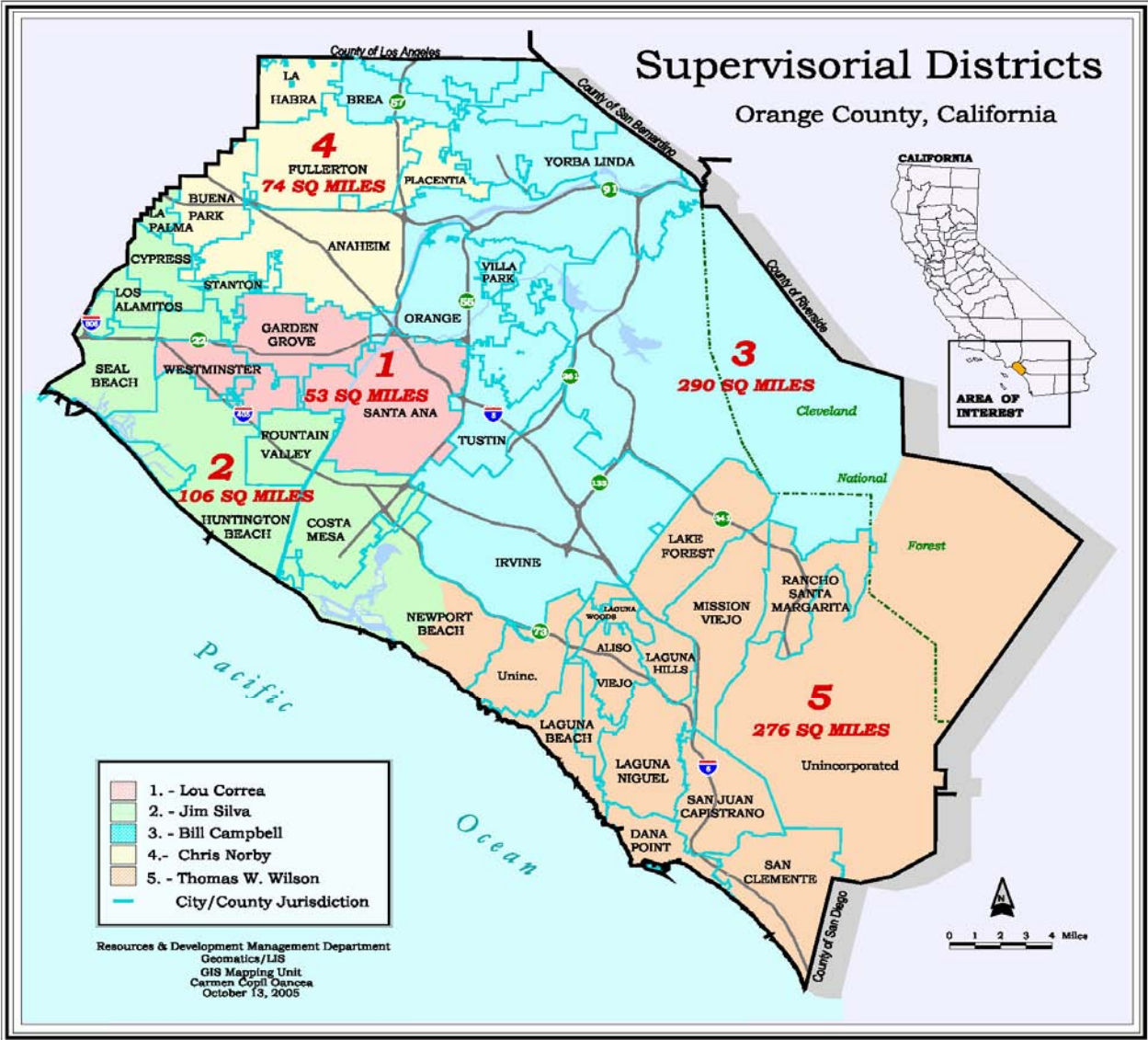
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

PROFILE OF THE GOVERNMENT

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

The County is a charter county as a result of the March 5, 2002 voter approval of Measure V, which provides for an electoral process to fill mid-term vacancies on the Board of Supervisors. Before Measure V, as a general law county, mid-term vacancies would otherwise be filled by gubernatorial appointment. In 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 24 County Departments, seven of which have elected department heads. The Supervisorial Districts map below shows the boundaries of Orange County and the area governed by each member of the Board of Supervisors.



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

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

Unincorporated Area Services	
Animal Control	Libraries
Flood Control	Parks
Land Use	Water Disposal Collection
Law Enforcement	

Contract Services for Cities	
Animal Control	Libraries
Law Enforcement	Public Works & Engineering

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 Children and Families Commission of Orange County (CFCOC), 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, 2005: 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 is part of the Basic Financial Statements. The Refunding Bonds & Recovery Certificates of Participation and Debt Prepayment Fund and the Nonmajor Governmental Funds with appropriated annual budgets comparisons are presented in the Supplementary Information section for governmental funds. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered appropriations do not lapse at year-end; 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.ocgov.com> provides extensive information about County government and its services to the citizens of Orange County and others who visit our web pages. Approximately 419,000 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, 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 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, ordering birth, death and marriage certificates, 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

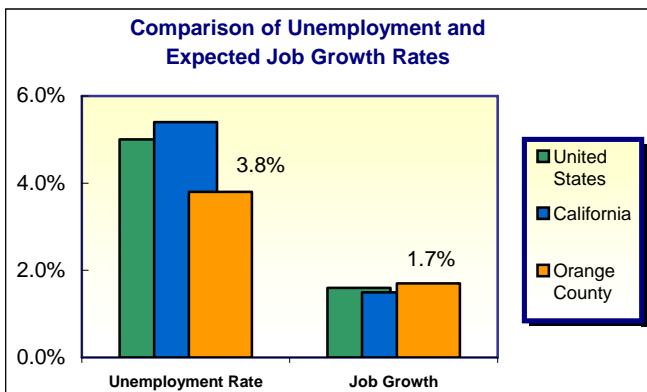
Local Economy

Two indicators of Orange County economy are: how well the local economy is performing relative to surrounding counties, the state and the nation (external indicators) and; how well the local economy is performing relative to its own historical trends (internal indicators). 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 world's countries. Current external indicators show that conditions in Orange County remain relatively favorable when compared to surrounding counties, the state and the nation.

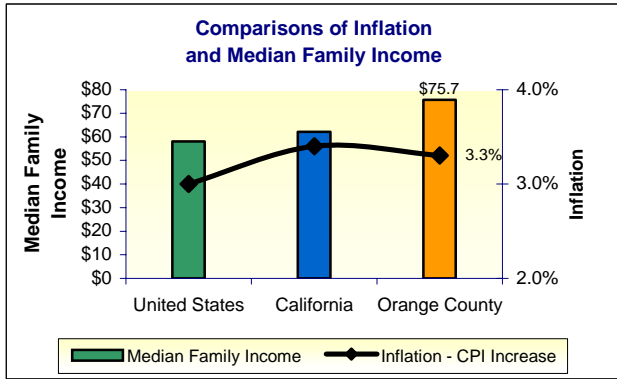
Orange County's unemployment rate continues to be one of the lowest in the State and is below that of all surrounding Southern California counties, the State of California, and the nation (see Table 1).

Primary Government Entity	August 2005 Unemployment Rate
United States	4.9%
California	5.2%
Los Angeles County	5.0%
Orange County	3.8%
Riverside County	5.6%
San Bernardino County	5.1%
San Diego County	4.3%



In addition, according to Chapman University, Orange County's job growth is expected to increase by 1.7% in 2005, resulting in 24,286 more jobs relative to 2004. This compares favorably, in percentage growth, with the State of California at 1.5% and the national level at 1.6% during the same time period.

Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2005



Sources: Economic & Business Review, Chapman University, June 2005
 U.S. Department of Housing and Urban Development, 2005

Inflation, as measured by the Consumer Price Index (CPI), is expected to remain moderately low in Orange County and to be slightly higher than the CPI at the national level in 2006. Chapman University projects an increase of the CPI at the national level, state level, and county level as stated in Table 2.

United States	California	Orange County
3.0%	3.4%	3.3%

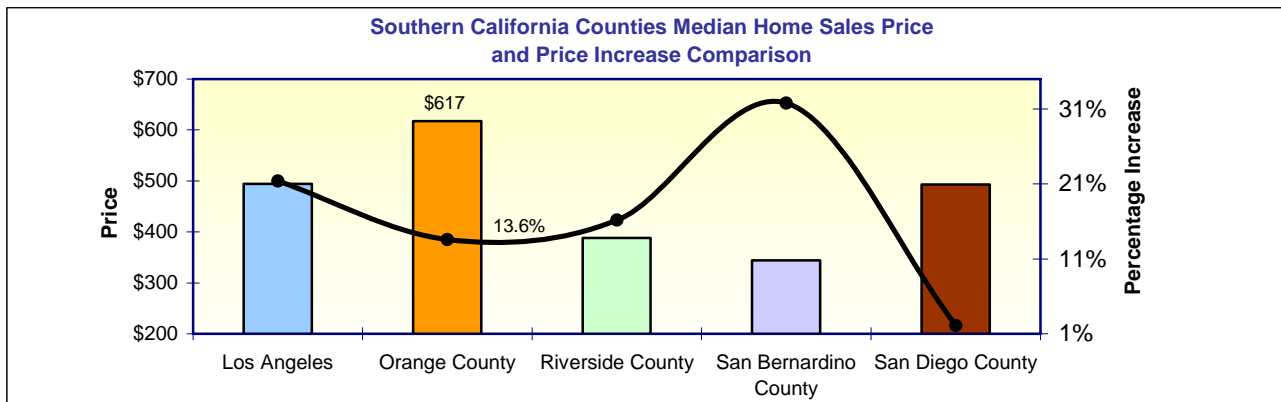
Median family incomes were adjusted (“re-benched”) in 2003 by the U.S. Department of Housing and Urban Development (HUD) to comply with actual data collected during the 2000 Census. Orange County’s adjusted HUD median family income is expected to be \$75,700 absolute dollars in 2005. Refer to Table 3 for comparison to other primary government entities.

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$58,000
California	\$62,100
Los Angeles County	\$54,450
Orange County	\$75,700
Riverside County	\$55,650
San Diego County	\$63,400

According to DataQuick Information Systems, in August 2005, the median home sales price for new and existing homes in Orange County increased by 13.6% (relative to August 2004) and reached \$617,000 (absolute dollars). Compared to the surrounding counties, the increase in Orange County was not the highest (refer to Table 4). Annual housing appreciation in Orange County, although not as great as in surrounding Southern California counties, has continued to increase at a relatively rapid rate. Moreover, the median sales price in Orange County continues to exceed all surrounding Counties by a substantial amount (refer to Table 4).

Primary Government Entity	Median Home Sales Price Increase (%)	Median Home Sales Price (absolute dollars)
Los Angeles	21.4%	\$494,000
Orange County	13.6%	\$617,000
Riverside County	16.2%	\$388,000
San Bernardino County	31.8%	\$344,000
San Diego County	2.1%	\$493,000

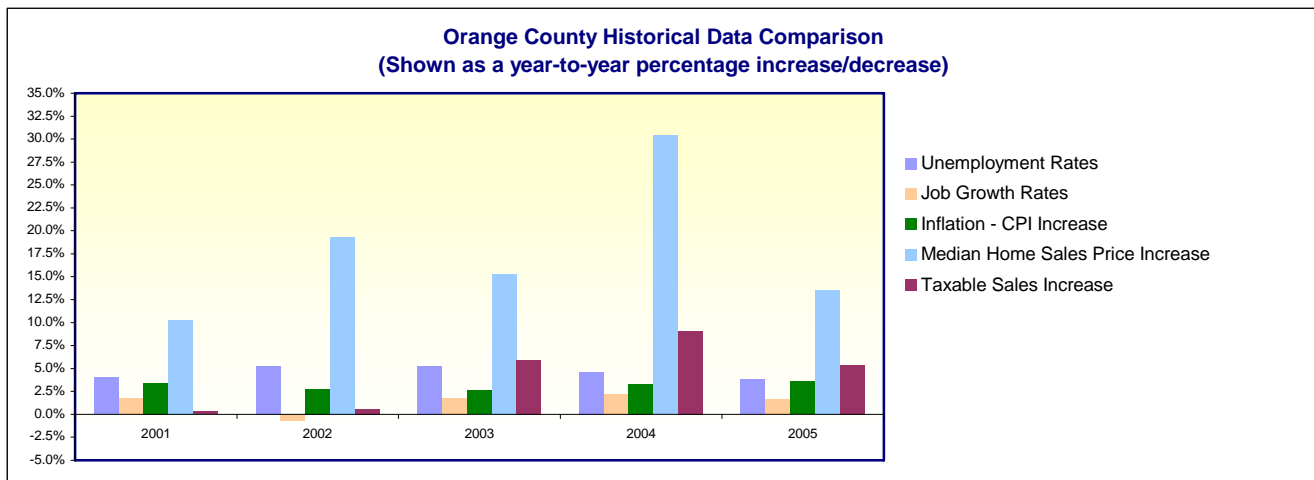
For the future, Chapman University is projecting that housing appreciation will decrease sharply and housing affordability (compared to other parts of the country) will continue to remain low.



Source: DataQuick Information Systems, August 2005

In terms of internal trends, current and projected indicators suggest that the Orange County economy will continue to grow at a slow but steady pace in 2005 and 2006. Comparisons of Orange County's unemployment rates from January 2005 through June 2005 were consistently favorable. Historical point-in-time unemployment rates in Orange County during the month of June of 2001 to 2005 show favorable recent trends. Job growth in Orange County has been steadily recovering from 2001 to 2005 (refer to Table 5). The projected job growth in Orange County is 1.2% in 2006. Comparisons of Orange County's historical CPI trends from 2001 to 2005, again, are relatively favorable. It is projected to be 3.3% in 2006 by Chapman University. Year-to-year home sales price increases in Orange County for the month of June from 2001 to 2005 indicate housing affordability will continue to remain low. Taxable sales in Orange County continually increased from 2001 to 2005. It is expected to increase 4.6% in 2006 as forecasted by Chapman University. This compares to an increase of 4.3% for the State of California.

Historical Indicators	2001	2002	2003	2004	2005
Unemployment Rates	4.0%	5.3%	5.3%	4.6%	3.8%
Job Growth Rates	1.8%	-0.7%	1.8%	2.2%	1.7%
Inflation-CPI Increase	3.4%	2.8%	2.6%	3.3%	3.6%
Median Home Sales Price Increase	10.3%	19.3%	15.3%	30.4%	13.6%
Taxable Sales Increase	0.3%	0.6%	5.9%	9.1%	5.4%



Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2005
DataQuick Information Systems, August 2005

In summary, overall economic growth in Orange County continues to look favorable relative to surrounding counties, the State, and the nation. Moreover, projected trends suggest that the growth of the local economy will be slow but steady during the balance of 2005 and throughout 2006. Chapman University issues economic forecasts twice each year in their Chapman Economic and Business Review; the next forecasts will be issued on December 8, 2005.

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 annual Strategic Financial Plans, the most recent being adopted by the Board on April 12, 2005. 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 develop strategies to successfully address those challenges.

Early Debt Payment Plan: In August 2005, the County successfully completed a refunding and restructuring of the \$763,200 of bankruptcy related debt. The County utilized \$116,200 accumulated in the Debt Prepayment Fund to defease the non-callable portions of the bankruptcy debt and refund the remaining principal. Additionally, the debt term will be shortened by approximately 10 years for the 1996 Recovery Certificates of participation (COPS) from the year 2026 to the year 2016 at which point all of the bankruptcy debt would be paid. More information on the bankruptcy debt refinancing is available in Note 19, Subsequent Events.

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARP) was initiated in 1964, in partial response to a resolution of the United States House Committee on Public Works adopted May 8, 1964. A survey report was completed by the Orange County Flood Control District in 1975. The report was reviewed and submitted to Congress in September 1978. In September 1980, the United States Corps of Engineers completed the General Design Memorandum for the SARP. Construction of the SARP was authorized by the Water Resources Development Act of 1986. Construction of SARP was initiated in 1989, and completion is scheduled for 2010.

The SARP is designed to provide flood protection to the growing urban communities in Orange, Riverside and San Bernardino Counties. The proposed improvements to the system cover 75 miles, from the headwater of the Santa Ana River east of the city of San Bernardino to the mouth of the river at the Pacific Ocean between the cities of Newport Beach and Huntington Beach. The project will increase levels of flood protection to more than 3.35 million people within the three county areas. The project includes seven independent features: Seven Oaks Dam, Mill Creek Levee, San Timoteo Creek, Oak Street Drain, Prado Dam, Santiago Creek and the Lower Santa Ana River. More information on the SARP is available in Note 14, Construction and Other Significant Commitments.

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 \$118,000. Presently, staff of the County, Superior Court and the State Administrative Office of the Courts (AOC) are researching options for financing and construction of the project.

It is anticipated that the County's total funding commitment for South Court 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 is subject to future change.

The August 2005 refunding of the 1996 Recovery Certificates of Participation allowed the County to unencumber (release) all court properties from this particular refunding debt. The current South Court facility was released in March 2003. The Betty Lou Lamoreaux Justice Center continues to be encumbered by the Orange County Public Financing Authority, Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 and is the only remaining court facility with bonded indebtedness.

Relevant Financial Policies

Cash Management Policies and Procedures: 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). California Government Code and the Treasurer's Investment Policy Statement (IPS) govern the investment of the County and Educational Pools.

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.

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. More information is available in Note 3, Deposits and Investments.

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 and Casualty Risk Internal Service Fund. These Internal Service Funds pay program costs including losses, expenses and administration costs. The cash reserves held in these internal services funds are retained for 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 established to minimize losses.

Major Initiatives

Water Quality: The County and cities received two new area-wide municipal stormwater 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.

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, 2004. 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 second consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the fiscal year ended June 30, 2004. 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

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, 2004

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.



Nancy L. Zjelle

President

Jeffrey R. Emer

Executive Director

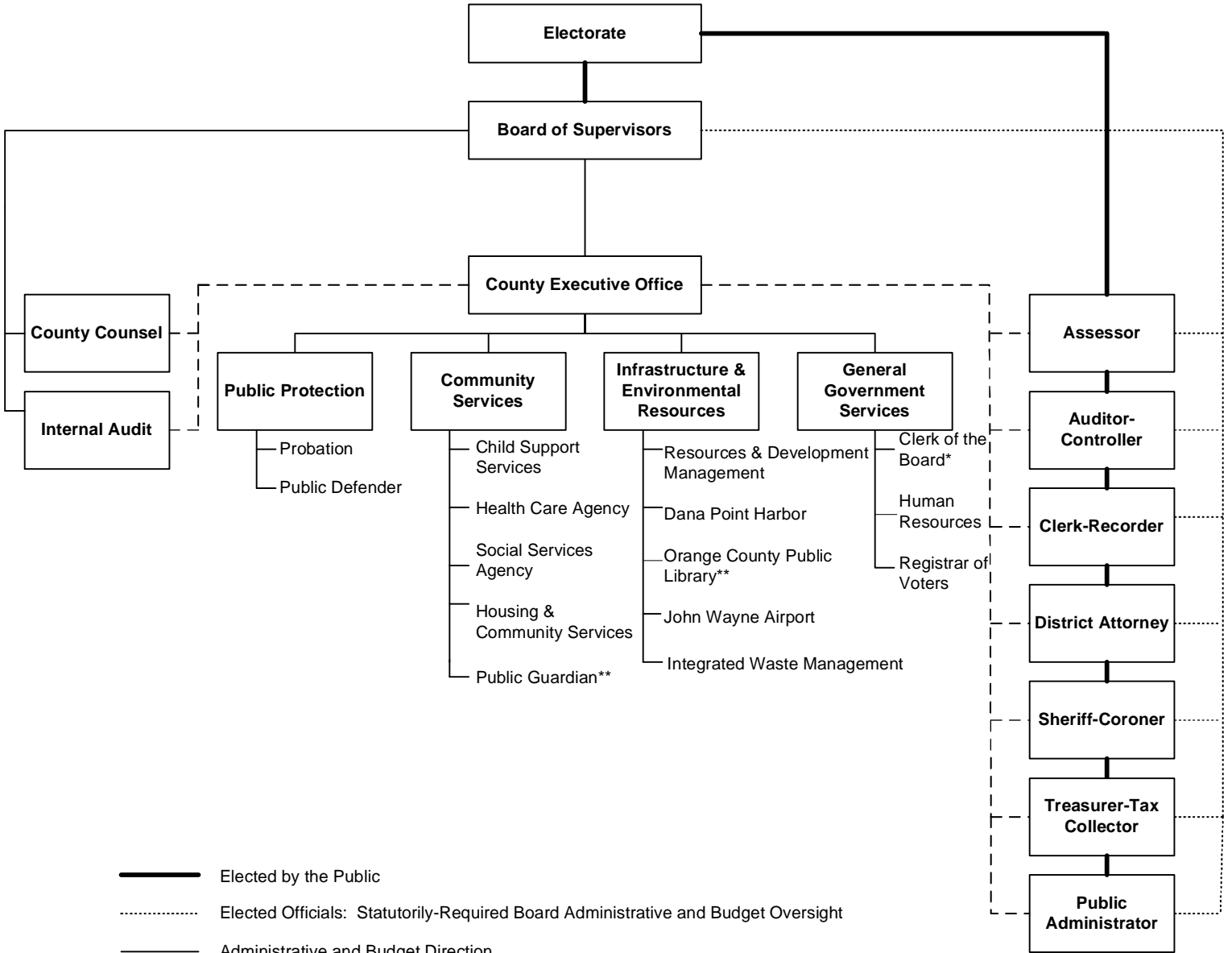
PRINCIPAL COUNTY OFFICIALS

<u>Elective Office (Other Than Judicial)</u>	<u>Office Holder</u>
Supervisor, First District	Lou Correa
Supervisor, Second District	James W. Silva
Supervisor, Third District	Bill Campbell, Chair
Supervisor, Fourth District	Chris Norby
Supervisor, Fifth District	Thomas W. Wilson, Vice 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	Thomas G. Mauk
Deputy CEO, Chief Financial Officer	Edward Corser
Deputy CEO, Infrastructure and Environmental Services	Vicki L. Wilson
Deputy CEO, Government and Public Services	William D. Mahoney
Deputy CEO, Chief Information Officer	Vacant
County Librarian	John M. Adams
County Probation Officer	Stephanie W. Lewis
Director of Child Support Services	Jan C. Sturla
Director of Dana Point Harbor	George Carvalho
Director of Health Care Agency	Juliette A. Poulson, R.N., M.N.
Director of Housing and Community Services Department	Paula Burrier-Lund
Interim Director of Human Resources	Dianna Garcia
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
- **** Position is Appointed by the Board of Supervisors but Reports to the CEO





FINANCIAL SECTION





MACIAS GINI & COMPANY^{LLP}

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

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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, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and each of the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, 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 conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 37 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.

Mauro Jini & Company LLP

Certified Public Accountants

Los Angeles, California
December 2, 2005





MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2005. 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 \$286,953, or 8% as compared to last year.
- Long-term debt decreased by \$70,100, 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 \$1,948,943, an increase of \$108,837, or 6% in comparison with the prior year.
- At June 30, 2005, unreserved fund balance in the General Fund was \$163,548, or 7% of total FY 2004-05 expenditures and transfers of \$2,424,356.
- General Fund revenues and transfers ended the year 1% above budget.
- General Fund expenditures and transfers ended the year 8% 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

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

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

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Assets and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and Statement of Cash Flows	Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business-type services	Resources on behalf of others
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting & economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Assets and the Statement of Activities. Both of these statements were prepared using an accounting method and a measurement focus similar to those used by private-sector companies, the accrual basis of accounting and the economic resources measurement focus. The **Statement of Net 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*." All of the County funds can be divided into three major categories of funds: governmental, proprietary, and fiduciary.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are prepared for 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 2004-05, an increase of \$233,859 in net assets in the government-wide financial statements was reported, while an increase of \$108,837 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 (IWMD). **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, 2005, the County's combined net assets (governmental and business-type activities) totaled \$3,888,301, an increase of 8% from FY 2003-04.

The largest component of the County's net assets (69%) was **invested in capital assets, less any related outstanding debt** used to acquire those assets. Capital assets include land, structures and improvements, equipment, construction in progress, and infrastructure that are used to provide needed services to the citizens of the County. Since the capital assets themselves cannot be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

COMPONENTS OF NET ASSETS

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

The County's **restricted** net assets are \$1,260,554 (32%) of its net assets. 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, 2005, governmental activities showed a negative amount of \$44,929 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, and Note 19, Subsequent Events, 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, 2005

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
ASSETS						
Current and other assets	\$ 2,875,262	\$ 2,635,324	\$ 596,702	\$ 555,986	\$ 3,471,964	\$ 3,191,310
Capital assets	2,410,746	2,320,885	507,408	499,987	2,918,154	2,820,872
Total Assets	5,286,008	4,956,209	1,104,110	1,055,973	6,390,118	6,012,182
LIABILITIES						
Long-term liabilities	1,649,663	1,650,412	356,045	363,678	2,005,708	2,014,090
Other liabilities	431,240	334,551	64,869	62,193	496,109	396,744
Total Liabilities	2,080,903	1,984,963	420,914	425,871	2,501,817	2,410,834
NET ASSETS						
Invested in capital assets, net of related debt	2,336,881	2,259,064	335,795	315,335	2,672,676	2,574,399
Restricted	913,153	992,774	347,401	314,767	1,260,554	1,307,541
Unrestricted	(44,929)	(280,592)	--	--	(44,929)	(280,592)
Total Net Assets	\$ 3,205,105	\$ 2,971,246	\$ 683,196	\$ 630,102	\$ 3,888,301	\$ 3,601,348

As of June 30, 2005, the County's total assets increased by 6%, or \$377,936 during the current fiscal year. Of this amount, current and other assets increased by \$280,654 (9%), while capital assets increased by \$97,282 (3%). Total liabilities for this year increased by 4% or \$90,983. Of this amount, long-term liabilities decreased by \$8,382 (0.4%), while other liabilities increased by \$99,365 (25%) which primarily consisted of deposits from others of \$70,074.

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, 2005

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
REVENUES						
Program Revenues:						
Charges for Services	\$ 470,259	\$ 436,139	\$ 210,103	\$ 203,155	\$ 680,362	\$ 639,294
Operating Grants and Contributions	1,540,938	1,532,106	13,968	7,459	1,554,906	1,539,565
Capital Grants and Contributions	66,889	55,337	10,703	6,183	77,592	61,520
General Revenues:						
Property Taxes	387,204	342,412	--	--	387,204	342,412
Property Taxes in Lieu of Motor Vehicle License Fees	141,319	--	--	--	141,319	--
Other Taxes	48,862	51,104	--	--	48,862	51,104
Grants and Contributions not Restricted to Specific Programs	9,442	11,969	--	--	9,442	11,969
State Allocation of Vehicle Motor License Fees	54,325	189,732	--	--	54,325	189,732
Other General Revenues	79,497	69,776	314	965	79,811	70,741
Total Revenues	2,798,735	2,688,575	235,088	217,762	3,033,823	2,906,337
EXPENSES						
General Government	171,771	170,820	--	--	171,771	170,820
Public Protection	947,698	905,229	--	--	947,698	905,229
Public Ways and Facilities	77,928	78,454	--	--	77,928	78,454
Health and Sanitation	455,059	447,743	--	--	455,059	447,743
Public Assistance	740,987	731,698	--	--	740,987	731,698
Education	30,641	31,978	--	--	30,641	31,978
Recreation and Cultural Services	73,530	76,249	--	--	73,530	76,249
Interest on Long-Term Debt	81,841	78,474	--	--	81,841	78,474
Airport	--	--	79,882	78,235	79,882	78,235
Waste Management	--	--	87,533	70,858	87,533	70,858
Total Expenses	2,579,455	2,520,645	167,415	149,093	2,746,870	2,669,738
Excess (Deficit) before Transfers	219,280	167,930	67,673	68,669	286,953	236,599
Transfers	14,579	12,155	(14,579)	(12,155)	--	--
Increase in Net Assets	233,859	180,085	53,094	56,514	286,953	236,599
Net Assets - Beginning of the Year	2,971,246	2,791,161	630,102	573,588	3,601,348	3,364,749
Net Assets - End of the Year	\$ 3,205,105	\$ 2,971,246	\$ 683,196	\$ 630,102	\$ 3,888,301	\$ 3,601,348

As of June 30, 2005, the County's net assets increased by 8%, or \$286,953 during the current fiscal year. Revenues for the year totaled \$3,033,823, an increase of \$127,486 from the previous year and expenses totaled \$2,746,870, an increase of \$77,132.

Governmental Activities

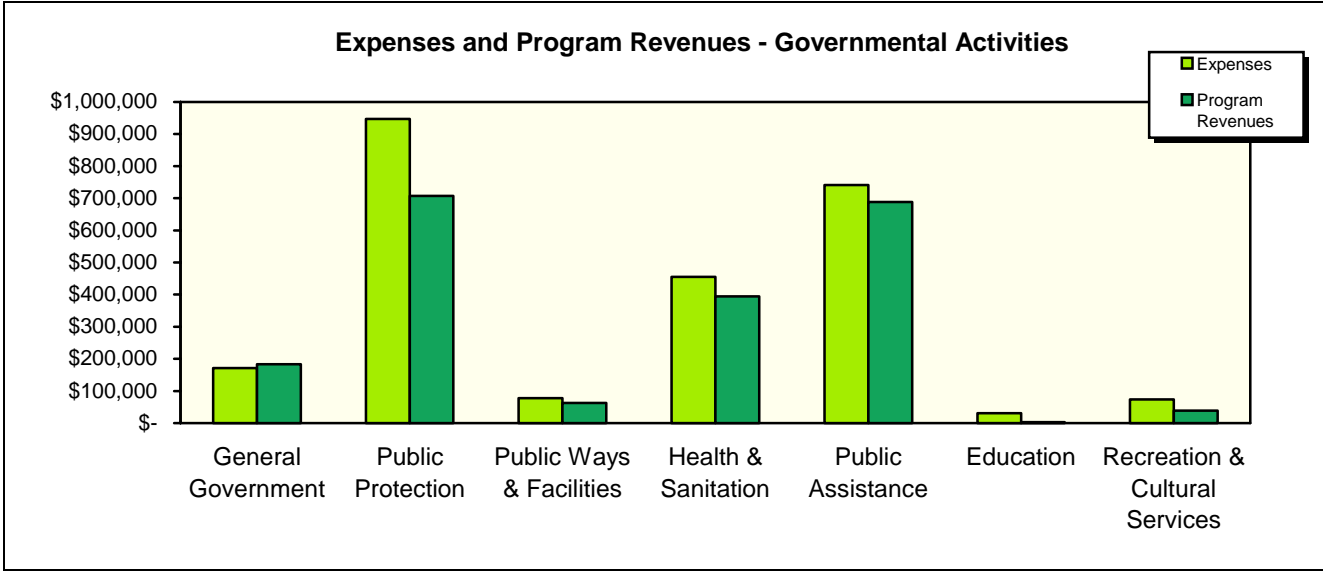
The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest revenue source for the County followed by Charges for Services. Operating Grants and Contributions are monies received from parties outside the 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. 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. 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 2004-05 total revenues for the governmental activities, including transfers from the business-type activities were \$2,813,314, an increase of \$112,584 from the previous year. Expenses totaled \$2,579,455, an increase of \$58,810 from the prior year. The majority of these expense increases were in the Public Protection and Public Assistance functions. While revenues and expenses increased from the prior year, revenues still exceeded the expenses. Governmental activities increased the County's net assets by \$233,859, accounting for 81% of the total growth in the net assets of the County. In addition to the effects of expenditure-driven grants, key elements of the increase are as follows:

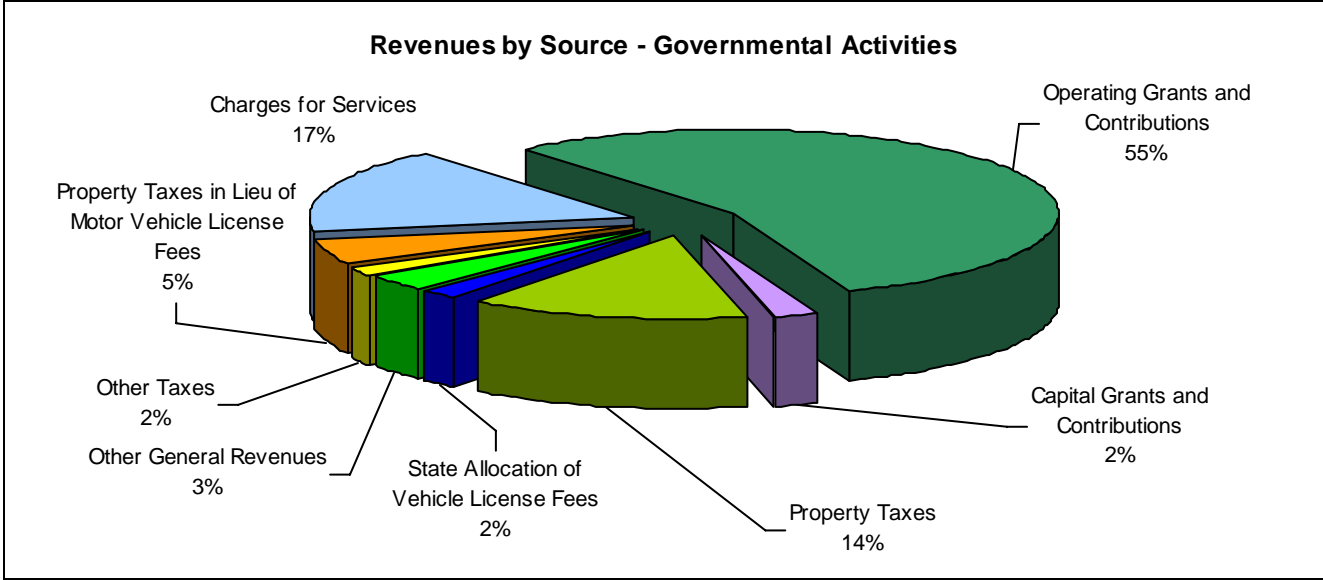
- Property taxes increased by \$44,792 due to a large number of home sales and remodels as a result of the continued low housing interest rates.
- The State Allocation of Motor Vehicle License Fees (VLF) decreased by \$135,407, while Property Tax in Lieu of VLF revenue increased by \$141,319. These variances were a result of the FY 2004-05 State Budget Act that "swapped" Property Tax in Lieu of VLF. The budget legislation permanently lowered the VLF rate from 2% to 0.65% of the assessed value of the vehicle. Prior to this legislation, the State "backfilled" 1.35% of the 2% VLF to the counties. In FY 2004-05, the Property Tax in Lieu of VLF revenue also included a \$17,670 increase due to increased VLF receipts. See Note 1.L, Summary of Significant Accounting Policies for more information.
- Capital Grants and Contributions increased by \$11,552 due mainly to proceeds from the issuance of long-term debt for the Community Facilities District (CFD) 2004-1 Ladera Construction bond.
- Charges for Services increased by \$34,120 primarily due to (1) a \$4,107 increase in assessment and tax collection revenues due to record sales prices and market activity during the year, (2) a \$4,269 increase in election services due to a higher number of participating jurisdictions, (3) a \$14,338 increase due to revenue recognized for the Clerk Recorder automation enhancement, (4) a \$8,934 increase in environmental health fees due to a change in billing from annual to anniversary billings and (5) a \$3,593 increase in mental health services, which was offset by corresponding expenditures.

In addition to the above, the County received \$1,375 of deferred pass-through tax incremental revenue from the City of Yorba Linda Redevelopment Agency. This is the second 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:

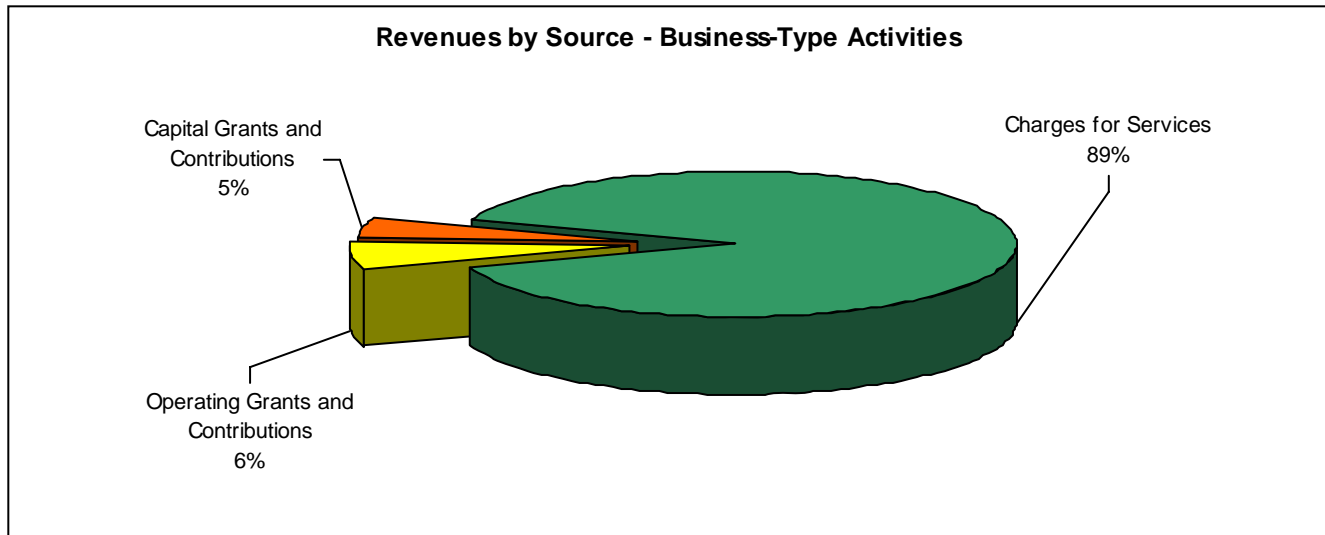


The chart below presents the percentage of total revenues by source for governmental activities:



Business-Type Activities

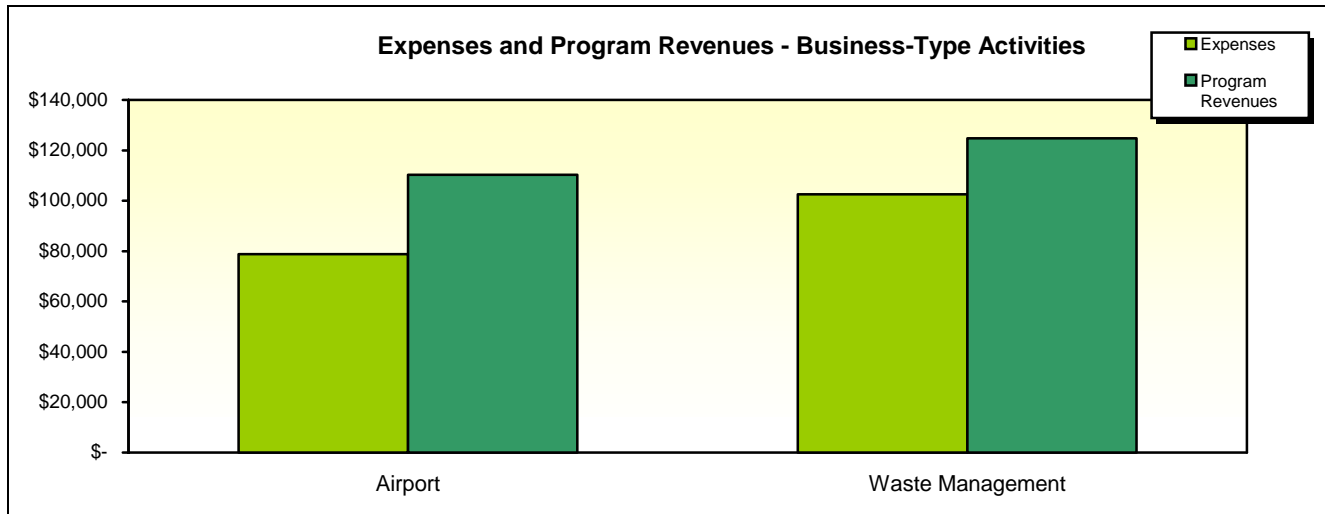
The County has two business-type activities: Airport and Waste Management. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported Charges for Services as their largest source of revenues. Operating Grants and 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 for use in airport construction projects.



At the end of FY 2004-05, business-type activities reported total revenues of \$235,088, an increase of \$17,326 from the prior year. Expenses, including transfers to the governmental activities, totaled \$181,994, resulting in an increase of \$20,746 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 2004-05, there was an increase of \$53,094 in net assets as compared to an increase of \$56,514 in FY 2003-04. The increase in net assets was mostly due to increased revenues, however, there was also a large increase in expenses. Key elements for the increase are as follows:

- A \$ 10,194 increase in landfill Postclosure liabilities and Postclosure settlement costs.
- A \$4,875 increase in rents and concession from airline rent, parking, and car rental due to the increased number of passengers and the level of traveler activities at the airport.
- A \$4,519 increase in grant revenues for the construction of new passenger security lanes, acquisition of a new aircraft rescue firefighting vehicle, remodeling of the fire station #33 facility, rehabilitation of taxiway "E", reconstruction of Perimeter Road West, and security modifications at the terminal.
- A \$1,675 increase in refuse disposal fees due to an increase in the amount of "in-county" tonnage disposed at the landfills.

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



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Such information may be useful in evaluating the County's near-term financing requirements.

In particular, unreserved fund balance may serve as a valuable measure of the government's resources that are available for spending at the end of the fiscal year. This amount is available for spending at the discretion of the County's Board of Supervisors in order to achieve the established function of the respective funds. Other than the General Fund, all other County funds are restricted for the particular purpose that each fund was established for. For example, special revenue funds have either legal or operational requirements to restrict expenditures for specified purposes, and debt service funds are restricted for payment of principal and interest on general long-term debt. Commitments by the County related to executory contracts for goods or services are recorded and established as reservations of fund balances in the governmental funds.

At June 30, 2005, the County's governmental funds reported total fund balances of \$1,948,943 with an increase of \$108,837 in comparison with the prior year. Of the total fund balances for the governmental funds, \$830,631 (43%) 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, re-budgeted capital projects, and projects at the County Central Utility Facility, which include refurbishment of the steam and chilled water system and the co-generation project.
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	- Defeasance of the non-callable portions of the bankruptcy debt and refunding the remaining principal.
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, 2005**

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2005	2004	2005	2004	2005	2004
General Fund	\$ 2,442,533	\$ 2,291,343	\$ 2,424,356	\$ 2,308,807	\$ 18,177	\$ (17,464)
Roads	38,765	47,973	43,881	39,856	(5,116)	8,117
Public Library	32,433	29,156	30,972	32,471	1,461	(3,315)
Tobacco Settlement	31,031	31,375	32,179	41,858	(1,148)	(10,483)
Refunding Bonds and Recovery COPs & Debt Prepayment	119,543	102,998	100,445	98,045	19,098	4,953
Flood Control District	72,629	72,870	125,086	75,936	(52,457)	(3,066)
Harbors, Beaches, and Parks	81,359	71,207	72,429	71,218	8,930	(11)
Other Governmental	443,531	476,960	323,639	429,867	119,892	47,093
Total	\$ 3,261,824	\$ 3,123,882	\$ 3,152,987	\$ 3,098,058	\$ 108,837	\$ 25,824

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

General Fund

The General Fund is the chief operating fund of the County. At the end of FY 2004-05, there was an increase in fund balance of \$18,177. Property tax revenues increased by \$4,700 as a result of the continued strength in the real estate market. Transfers from various Special Revenue Funds to the General Fund decreased by \$53,028.

While revenues for the General Fund increased, pension costs also increased. At the end of FY 2004-05, retirement costs increased by \$66,983. For further information, refer to Note 17, Retirement Plans. Capital expenditures increased by \$33,330. The increase was primarily attributable to a capital lease the County entered into for Social Services Agency for the Santa Ana Regional Center.

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 2004-05, there was a decrease in fund balance of \$5,116. In comparison to last year, revenues from Charges for Services decreased by \$8,884. Last year, there was over \$8,000 in revenue from the Ladera CFD for the Antonio Parkway. Expenditures increased by \$5,017 because capital projects and related professional services that were delayed last year were expended this year.

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 \$1,461 increase to fund balance this fiscal year. The Public Library Fund had an increase of \$2,254 in property tax revenues from rising home prices and new housing construction in the areas for which it receives property tax revenue. In comparison to the prior year, expenditures decreased by \$1,499. Last year, expenditures were higher due to a one-time payment of property taxes to the City of Newport Beach for former unincorporated areas that were annexed and a one-time payment to the Capistrano School District for the library's share of the Ladera Ranch branch library.

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 2004-05, fund balance continued to decline by \$1,148, primarily due to a decrease in loan repayment for the Theo Lacy Jail capital project from the previous year. Also reducing fund balance was an \$817 reduction in revenues for a refund of an unused deposit from the service provider for the 64-bed Theo Lacy in-custody program.

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 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 2004-05, there was an increase in fund balance of \$19,098. The increase is due primarily to an \$18,300 transfer from the General Fund. For more information, refer to Note 19, Subsequent Events. An allocation of \$1,375 from the Yorba Linda Redevelopment Settlement also contributed to the increase in fund balance.

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 2004-05, there was a decrease in fund balance of \$52,457. While revenues remained constant from this year to last year, expenditures increased significantly. The following is a brief summary of the primary reasons for the net decrease in fund balance for the Flood Control District in FY 2004-05 as compared to the prior year:

- A \$58,518 increase in expenditures for the acquisition of property rights for the Santa Ana River Mainstream/Prado Dam Project for the expansion of the reservoir area.
- A \$9,463 decrease in expenditures for the Santa Ana River Mainstream project.

Harbors, Beaches and Parks

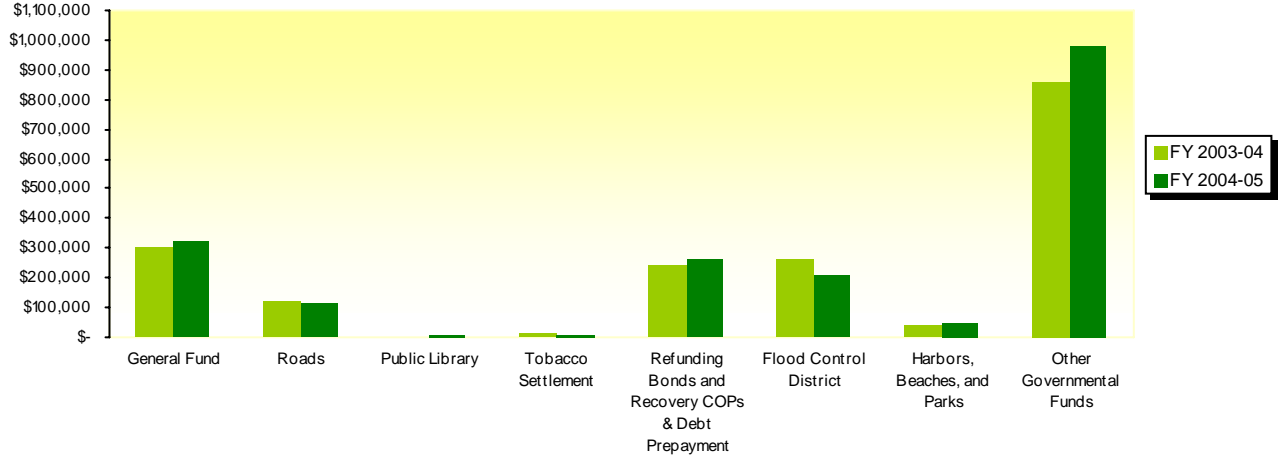
This fund accounts for the development of aquatic recreational facilities and the acquisition, operation and maintenance of County beaches, inland regional park recreational facilities and community park sites in the unincorporated areas. At the end of FY 2004-05, there was an \$8,930 increase in fund balance. This increase resulted from a \$5,000 Educational Revenue Augmentation Fund (ERAF) rebated by the State due to a property tax ERAF shift and a \$1,800 grant for land purchases for the Freemont Nature Canyon and Modjeska Canyon Nature Preserve.

Other Governmental Funds

At the end of FY 2004-05, there was an increase in fund balance of \$119,892. In comparison to last year, both revenues and expenditures decreased in FY 2004-05. Other financing sources decreased by \$33,429 primarily due to no refunding bond issuances. Expenditures decreased by \$106,228 compared to last year. Last year's debt service payments were significantly higher due to a one-time refinancing of the outstanding bond debt for the Santa Ana Heights (SAH) project area. Other factors contributing to the reduction in expenditures were lower capital expenditures for the Theo Lacy Jail Facility and less operating transfers to the General Fund.

The following chart shows the fund balances for governmental funds for the current and previous fiscal year:

Comparative Fund Balance - Governmental Funds



Proprietary Funds

The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Airport and Waste Management operations, both of which are considered to be major funds of the County. Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

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, 2005**

	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets	
	2005	2004	2005	2004	2005	2004
Airport	\$ 110,324	\$ 99,776	\$ 78,835	\$ 76,932	\$ 31,489	\$ 22,844
Waste Management	124,706	118,026	102,510	82,956	22,196	35,070
Total	\$ 235,030	\$ 217,802	\$ 181,345	\$ 159,888	\$ 53,685	\$ 57,914

Airport

This fund accounts for major construction and self-supporting aviation-related activities rendered at John Wayne Airport (JWA), Orange County. Last year's increase in fund net assets was \$22,844; this year fund net assets continued to increase by \$31,489 primarily because of the following factors:

- A \$4,875 increase in rents and concession from airline rent, parking, car rental, and lease concessions due to the increased number of passengers and the level of traveler activities at the airport.
- A \$4,519 increase in grant revenues for the construction of new passenger security lanes, acquisition of a new aircraft rescue firefighting vehicle, remodeling of fire station #33 facility, rehabilitation of taxiway "E", reconstruction of Perimeter Road West, and security modifications at the terminal.
- A \$1,227 increase in interest revenue due to higher interest rates.

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 2004-05, there was an increase in fund net assets of \$22,196, compared to the prior year change of \$35,070, primarily due to the following factors:

- A \$7,000 increase in expenditures for landfill closer and postclosure care costs.
- A \$6,200 increase in expenditures for settlement payments for postclosure care costs.
- A \$4,299 increase in interest revenues due to the upward trend of interest rates.
- A \$2,352 increase in transfers to County General Fund to pay bankruptcy related obligations.
- A \$1,675 increase in charges for services due to an increase in the amount of "in-county" tonnage 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. In addition to the effects of expenditure-driven grants, the following information provides explanations for significant variances. Refer to the Budgetary Comparison Statement for details on this budgetary comparison.

Original Revenue Budget vs. Final Amended Revenue 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:

Taxes

- A \$120,000 increase in revenues in the County General Fund due to the State's implementation of the Property Tax-Vehicle License Fee (VLF) Compensation Fund, in which a major portion of VLF revenue would be eliminated and replaced dollar for dollar with property tax (See Note 1.L. for more backfill information). The VLF was originally budgeted in "Intergovernmental Revenues."

Intergovernmental Revenues

- An increased revenue budget in Sheriff-Coroner of \$16,382 for additional one-time grants, including Homeland Security Grants, the Urban Areas Security Initiative (UASI) Grant, and the Avoid South County Grant, which is a grant awarded by the Office of Traffic Safety to reduce drunk driving in South Orange County.
- An increase of \$9,180 in budgeted revenues in the Social Services agency to reconcile actual allocations for the Medi-Cal Program and to fund the administration of the In Home Supportive Services (IHSS) program.
- A \$13,900 increase in revenues in the Probation Department because the State decided to continue funding for the Temporary Assistance for Needy Families (TANF) program and the Targeted Case Management program. The State decided to continue funding these programs after the original budget was adopted.

Transfers In

- An increase of \$4,811 in the Watershed Management Program to ensure that the Net County Cost target set by the County Executive Office would be met.
- An increase of \$16,725 in the Health Care Agency (HCA) for reimbursement from the Tobacco Settlement Revenue (TSR) Special Revenue Fund for FY 2003-04 eligible expenditures for Emergency Medical Services and an increase in transfers from Purpose Restricted Special Revenue Funds for various public health programs.

Original Expenditure Budget vs. Final Amended Expenditure Budget

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:

Miscellaneous

- Budget Appropriations increased by \$28,620 due to the County's debt prepayment (\$17,454) for debt defeasance strategy (Refer to Note 19, Subsequent Events, for more information), higher retirement rates (\$6,165), and to offset the property tax shift to the State (\$5,000).

Probation

- A \$12,544 increase in appropriations due to continued funding of the TANF and Targeted Case Management programs.

Sheriff-Coroner

- A \$14,065 increase was appropriated to fund capital projects and purchase equipment funded by the Homeland Security Grant.

Social Services Agency

- An increase of \$11,561 to fund increased wages and benefits for IHSS providers, 84 new positions for the Medi-Cal Program, an increase of allocations for the Promoting Safe and Stable Families Program due to a change in funding cycle, and an increase in allocations for the Child Abuse Treatment Program.

Final Amended Revenue Budget vs. Actual Revenue Amounts

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

Taxes

- A \$24,131 positive variance in the County General fund due to higher than anticipated growth rate in the value of the secured property taxes, the new legislation for supplemental property tax in lieu of VLF, and higher than estimated housing sales.

Intergovernmental Revenues

- A \$9,241 positive variance in Probation because the State decided to continue funding for the TANF program.
- A \$7,852 positive variance in Sheriff-Coroner due to increased receipts from 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.
- A \$9,998 positive variance in the Social Services Agency due to deferred revenues recognized in FY 2004-05.

Transfers In

The following are a result of not transferring money from Purpose-Restricted Special Revenue Funds:

- A \$5,406 variance in the District Attorney Office due to Proposition 172 actual revenues exceeding the budgeted amount.
- A variance of \$37,735 in the Sheriff's Department due to savings from maintaining a higher than budgeted vacancy factor, the delay in opening the Theo Lacy Building B, and the implementation of cost saving strategies.
- A variance of \$17,046 in HCA because transfers from the TSR Funds and the Animal Shelter Fund were lower than budgeted.

Charges for Services

- A negative variance of \$2,101 in HCA due to savings in salaries and employee benefits and human services contracts for Medi-Cal funded services.
- A negative variance of \$6,828 in the Sheriff-Coroner and its court operations due to vacancies and a Worker's Compensation credit to the contract cities.
- A positive variance of \$5,051 in the Assessor's budget attributable to record real estate prices and market activity during the year.
- A positive variance of \$3,354 in the Registrar of Voters due to higher than anticipated revenue from election services and state reimbursement claims.
- A negative variance of \$1,993 in the Treasurer-Tax Collector due to a reduction of administrative fees.
- A \$6,015 negative variance in the Watershed Management Program due to non-reimbursable project expenses.
- A negative variance of \$2,755 in Employee Benefits because the 3% health and dental administrative fees charged to County departments were reclassified from charges for services to intrafund transfers.
- A negative variance of \$6,693 in the Resources and Development Management Department due to reduced expenditures from lower reimbursable indirect charges, less direct billable hours and more intra-agency billings, especially in the administrative functions.

Final Amended Expenditure Budget vs. Actual Expenditure Amounts

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

Miscellaneous

- A positive variance of \$10,454 was due to appropriations that were not needed for unanticipated expenditures for County programs. One of the purposes of this agency in the General Fund is to provide for such contingencies and is not anticipated to be spent unless the need arises. Another contributing factor causing the variance was the delay in acquiring new sites for the 800 MHz project.

Watershed Management Program

- A \$9,958 positive variance due to expenditures for some projects requiring professional and consulting services that were lower than anticipated and the deferral of various budgeted capital projects.

Capital Projects

- A \$32,151 positive variance due to a substantial number of unfinished multi-year complex capital projects which overlap fiscal years. Most of these projects will be completed in FY 2005-06, including the floor-by-floor rehabilitation of the Central Justice Center, the construction of the Youth Leadership Academy at Juvenile Hall, and the 800 MHz project.

Health Care Agency

- A positive variance of \$7,326 due to vacancies that reduced salaries and employee benefits, lower group insurance rates, as well as an unemployment insurance rebate.
- A \$25,363 positive variance due to lower than budgeted costs in TSR funded projects, contracts and price agreements, including the information technology price agreement, and various human services contracts.

Probation

- A positive variance of \$9,894 due to the deferral of a collection software module project and other information system projects, savings from the closure of Youth and Family Resource Centers, a reduction in the Juvenile Justice Crime Prevention Act Program, deferral of software license agreements and maintenance projects for the Los Pinos Conservation Camp, fewer California Youth Authority commitments, and the department operating with an 11% difference vacancy factor compared to a budgeted vacancy factor of 8%.

Sheriff-Coroner

- A \$25,551 positive variance due to deferrals in professional services, equipment, and special department expenditures because reimbursement from the Homeland Security Grant are expected to be paid in FY 2005-06.
- A \$9,735 positive variance due to maintaining a higher than budgeted vacancy factor and the defunding and deletion of positions recommended by the Blue Ribbon Committee.

Aid to Families with Dependent Children – Foster Care

- A \$14,892 positive variance due to decrease in caseloads for Federal and Non-Federal group homes, federal foster family agencies, and emergency assistance cases by moving children to family based settings that are less costly.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the County's capital assets for both the governmental and business-type activities amounted to \$2,918,154 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 3% (a 4% increase for governmental activities and a 1% 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, 2005

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2005	2004	2005	2004	2005	2004	% Change
Land	\$ 567,243	\$ 481,048	\$ 34,108	\$ 34,108	\$ 601,351	\$ 515,156	17%
Structures and Improvements	510,827	501,778	184,739	196,110	695,566	697,888	0%
Equipment	103,739	102,418	23,357	24,422	127,096	126,840	0%
Infrastructure	801,263	817,294	196,237	182,510	997,500	999,804	0%
Construction in Progress	427,674	418,347	68,967	62,837	496,641	481,184	3%
Total	\$ 2,410,746	\$ 2,320,885	\$ 507,408	\$ 499,987	\$ 2,918,154	\$ 2,820,872	3%

The following lists the significant expenditures for capital assets in FY 2004-05:

General Fund

- \$38,609 for a capital lease for a Social Services building.
- \$8,275 for the construction of three new housing units for the Youth Leadership Academy at Juvenile Hall, which will increase the capacity to 120 beds.
- \$2,030 for the purchase of a helicopter for the Sheriff Department.
- \$2,017 for the purchase of hazardous materials vehicles for the Sheriff Department.
- \$1,259 for the renovation of various County facilities to comply with the ADA requirements.
- \$1,204 for construction projects at the Theo Lacy Jail Facility.
- \$1,095 for planning and designing a new courthouse in South County, which includes master planning for Superior Court, and a possible civic center for the City of Laguna Niguel.
- \$1,040 for the purchase of a mainframe computer for the Sheriff Department.

Flood Control District

- \$70,841 for the acquisition of property rights for the Santa Ana River Mainstream/Prado Dam project.

800 MHz Countywide Coordinated Communications System

- \$1,786 for equipment and service enhancements for the Orange County Mutual Aid project funded by the Community Oriented Policing Services Interoperable Communications.
- \$1,607 for equipment and services to enhance countywide emergency preparedness funded by the UASI and Homeland Security grants.

Airport

- \$4,008 to remodel Fire Station #33.
- \$3,428 for construction of new passenger security lanes.
- \$2,798 to rehabilitate taxiway "E."
- \$2,410 to design an electric generation plant.
- \$1,241 to reconstruct the Perimeter Road West.
- \$1,183 construction of new flush mount fire hydrants.
- \$1,104 to design the new South Remain Over Night airplane parking.
- \$1,078 to install a temporary passenger waiting facility at the south end.
- \$1,025 for a new aircraft rescue firefighting vehicle.

Waste Management

- \$10,684 to expand the Frank R. Bowerman (FRB) Landfill.
- \$1,301 for the construction of the Lower East Perimeter Storm Drain and Access Project at Olinda Alpha Landfill.
- \$1,217 for construction management, quality assurance and quality control at FRB and Central Region landfills.

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

Commitments for Capital Expenditures At the end of FY 2004-05, significant commitments for capital expenditures included the following:

- \$413,000 for the Santa Ana River Mainstream Project.
- \$18,721 to expand Laguna Canyon Road from State Route 73 to Interstate 405.
- \$8,184 for heating, ventilation, and air-conditioning improvements to comply with ADA at the Central Justice Center.
- \$7,134 for construction of the Youth Leadership Academy.
- \$6,256 for the Prima Deshecha Desilting Basin Improvement Project.
- \$6,173 for various flood control channel projects.

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

Long-Term Debt

At June 30, 2005, the County had a total debt obligation outstanding of \$1,345,761, excluding capital lease obligations, compensated absences and other liabilities. During the year, \$72,137 of the bonds were retired, 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, 2005:

LONG-TERM DEBT BOND OBLIGATIONS

June 30, 2005

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2005	2004	2005	2004	2005	2004	% Change
Revenue Bonds	\$ 261,180	\$ 268,607	\$ 181,240	\$ 196,300	\$ 442,420	\$ 464,907	(5)%
Certificates of Participation	589,909	619,394	--	--	589,909	619,394	(5)%
Pension Obligation Bonds	111,772	116,772	--	--	111,772	116,772	(4)%
Recovery Bonds	210,705	225,870	--	--	210,705	225,870	(7)%
Add: Premium on Bonds Payable	5,009	5,045	4,210	5,082	9,219	10,127	(9)%
Less: Deferred Amount on Refunding	(5,744)	(6,110)	(12,520)	(15,099)	(18,264)	(21,209)	(14)%
Total	\$ 1,172,831	\$ 1,229,578	\$ 172,930	\$ 186,283	\$ 1,345,761	\$ 1,415,861	(5)%

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 1995 Teeter Plan Revenue Bonds and the Orange County Development Agency (OCDA) 2003 Santa Ana Heights (SAH) Bonds are AAA insured with a municipal bond insurance policy, but are not currently rated (NR indicates Not Rated). 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, 2005

	Moody's	Fitch	Standard and Poor's
1995 Recovery Bonds	Aa3	NR	NR
1996 Recovery COPs	A1	AA-	NR
1991 Parking COPs	A1	NR	NR
OCDA Neighborhood Development and Preservation Project	A2	NR	A
2002 Lease Revenue Bonds	A1	AA-	A
OCDA 2003 SAH Bonds	NR	NR	NR
1996 Pension Obligation Bonds	Aa2	NR	NR
1997 Pension Obligation Bonds	Aa2	AA-	NR
1995 Teeter Plan Revenue Bonds	NR	NR	NR
2001 Lease Revenue Bonds	A2	NR	NR
Airport 1997 Revenue Refunding Bonds	Aa3	A+	A+
Airport 2003 Revenue Refunding Bonds	Aa3	NR	A+
IWMD 1997 Revenue Refunding Bonds	A2	A+	NR

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

On July 11, 2005, Governor Schwarzenegger signed the FY 2005-06 Budget Act. The FY 2005-06 Budget Act projects General Fund revenues of \$84,200,000, expenditures of \$90,000,000 and an ending reserve balance of \$1,300,000 (including an allowance for \$900,000 of tax refunds which the State may be obligated to make).

The Governor's original budget identified a budget shortfall of \$8,600,000 without implementation of the policy changes identified in the Governor's budget proposal. However, the upward revision in FY 2004-05 and 2005-06 projected tax revenues, among other factors, have permitted the Governor to address a smaller budget shortfall of \$6,000,000 and to maintain a \$500,000 reserve through \$6,500,000 of expenditure and savings "solutions" and without tax increases. The FY 2005-06 Budget Act also eliminates the proposed issuance of additional "Economic Recovery Bonds," which were to provide \$1,700,000 to the General Fund in the original budget proposal.

The revenue increase forecasted by the FY 2005-06 Budget Act forecasts gains in the personal income tax, sales and use tax and corporation tax. Personal income tax revenues are forecasted to be \$41,900,000 in FY 2004-05 and \$43,200,000 in FY 2005-06. This forecast assumes a percent change increase in personal income tax revenue of 15.1% for FY 2004-05 and 3.2% for FY 2005-06. Sales and use tax revenue is forecasted to be \$25,100,000 in FY 2004-05 and \$27,000,000 in FY 2005-06, a 7.6% increase. Corporation tax revenues are expected to total \$7,600,000 in FY 2004-05 and \$8,800,000 in FY 2005-06, a 15.8% increase.

The FY 2005-06 Budget Act assumes local government revenues will increase during the next few years due in part to increases in property taxes and sales and use tax to local governments. Property taxes and sales and use tax are major sources of discretionary revenue for local governments, including the County. The FY 2005-06 Budget Act projects property taxes to local governments to be approximately \$22,980,000, an increase of 14% above the amount expected to be received in the FY 2004-05, as a result of the strong housing market and increased sales of non-residential real estate. The sales and use tax in FY 2005-06 is also expected to increase by approximately 4.5% above the amount expected to be received in FY 2004-05. The sales and use tax is expected to provide local governments with over \$4,000,000 for discretionary purposes, in addition to \$2,700,000 for public safety, \$2,700,000 for health programs and \$1,300,000 for county transportation purposes. In addition, the FY 2005-06 Budget Act projects VLF revenues, which provide funding for local health programs, to increase by 4% during the next two years.

Certain features of the FY 2005-06 Budget Act affecting counties include the following:

- The FY 2005-06 Budget Act includes funding in various budgets that support activities by local government agencies where the local agencies have significant discretion over the use of the funds. Such programs include law enforcement, realigned health and mental health services, public health, property tax administration, Williamson Act open space preservation contracts, libraries, recreational facilities, flood control, and housing. Funding for these programs will be approximately \$5,600,000 in FY 2005-06, which represents a reduction of approximately \$368,000 from the amount expected to be received in FY 2004-05 (based upon May Revision estimates).
- The FY 2005-06 Budget Act includes funding for local governments to make up the difference between the 0.65% rate of the VLF and the previous 2% rate through a reallocation of property tax from schools and community colleges to cities and counties. The Budget Act also includes the accelerated repayment of all of the VLF revenue that the local governments did not receive in FY 2003-04 due to the suspension of the VLF backfill, which was not required to be paid until FY 2006-07. The County received repayment of the VLF gap loan from the State on July 26, 2005, resulting in an additional \$26,506 of additional resources to the County.
- The FY 2005-06 Budget Act fully funds Proposition 42 (transportation) funding, at approximately \$1,300,000. Proposition 42 funds have been diverted to State General Fund use in prior years.

Long-Term Financial Planning

Funding of Orange County Employees Retirement System

In 2004, the Orange County Employees Retirement System (OCERS) retained the Segal Company to complete an actuarial valuation of OCERS as of December 31, 2004. The recommendations of the Segal valuation were adopted by the OCERS Board on October 24, 2005. The Segal valuation determined that the ratio of the valuation assets to actuarial accrued liabilities decreased from 78.5% as of December 31, 2003 to 69.1% as of December 31, 2004. The County is working with the departments to develop a Budget Reduction Plan for anticipated increases in FY 2006-07 retirement costs. Detailed information on OCERS and the actuarial assumptions are available in Note 17, Retirement Plans.

Funding of County of Orange Retiree Medical Plan

The County is currently developing a strategy to address the funding and structure of the Retiree Medical Plan as well as wellness, consumer education and other programs designed to control medical premium costs. Current Memoranda of Understanding with bargaining units run through FY 2007-08 and do not include re-openers for Retiree Medical Plan negotiations. More information on the Retiree Medical Plan is available in Note 18, Post Employment Health Care Benefits.

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 claiming, procuring goods and services, paying vendors, processing the County's payroll, and administering enterprise-wide human resource functions. CAPS maintains financial records for the County's budget of approximately \$4,800,000 and maintains human resource records and processes payroll for a work force of over 18,000 employees.

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

The results of the assessment have been presented to the CAPS Steering Committee and a more detailed assessment of two possible alternatives is under way. This assessment is expected to be completed by the end of December 2005. Based on the alternatives selected, requests for proposals will be issued to source the solution. 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. Implementation of a solution could take from four to five years.

Assessment Tax System 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. A request for proposal to conduct a needs assessment of the property tax system was issued and contract negotiations are under way with the recommended vendor. The contract is expected to be finalized by January 2006, at which time work will commence.

The needs assessment is expected to last one year and will result in a requirements document that 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 \$18,000 to \$21,000.

Requests for Information

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



BASIC FINANCIAL STATEMENTS



County of Orange
 Comprehensive Annual Financial Report
 June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Notes 1 and 3)	\$ 1,719,238	\$ 318,751	\$ 2,037,989	\$ 148,272
Restricted Cash and Cash Equivalents (Notes 1 and 3)	526,102	218,658	744,760	--
Investments (Notes 1 and 3)	5,655	18,653	24,308	--
Deposits In-Lieu of Cash	654	38,957	39,611	--
Internal Balances	21,051	(21,051)	--	--
Due from Component Unit (Note 6)	466	--	466	--
Prepaid Costs (Notes 1 and 17)	155,769	3,085	158,854	--
Inventory of Materials and Supplies (Note 1)	1,186	--	1,186	--
Land and Improvements Held for Resale (Note 1)	1,255	--	1,255	--
Receivables, Net of Allowances (Note 5)				
Accounts	14,987	15,067	30,054	24
Taxes	42,135	--	42,135	7,116
Interest/Dividends	4,024	2,785	6,809	774
Deposits	79,110	--	79,110	--
Loans	1,598	--	1,598	--
Due from Other Governmental Agencies (Note 5)	278,230	1,797	280,027	7,435
Notes Receivable (Note 5)	23,802	--	23,802	--
Capital Assets (Notes 1 and 4)				
Not Depreciated	994,917	103,075	1,097,992	--
Depreciable (Net)	1,415,829	404,333	1,820,162	16
Total Capital Assets	<u>2,410,746</u>	<u>507,408</u>	<u>2,918,154</u>	<u>16</u>
Total Assets	<u>5,286,008</u>	<u>1,104,110</u>	<u>6,390,118</u>	<u>163,637</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	
LIABILITIES				
Accounts Payable	\$ 72,903	\$ 16,964	\$ 89,867	\$ 11,474
Salaries and Employee Benefits Payable	75,248	1,753	77,001	130
Interest Payable	22,851	234	23,085	--
Deposits from Others	141,198	41,618	182,816	--
Due to Primary Government (Note 6)	--	--	--	466
Due to Other Governmental Agencies	41,217	2,172	43,389	5,227
Unearned Revenue	74,443	2,128	76,571	--
Estimated Liability - Litigation and Claims (Note 16)	3,380	--	3,380	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 15)	50,702	--	50,702	--
Compensated Employee Absences Payable (Notes 1 and 9)	81,068	2,452	83,520	140
Pool Participant Claims (Note 9)	800	--	800	--
Capital Lease Obligations Payable (Notes 9 and 11)	4,645	--	4,645	--
Bonds Payable (Note 9)	64,520	14,502	79,022	--
Net Pension Obligation (Notes 9 and 17)	270	--	270	--
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	370	370	--
Due in More than One Year				
Accrued Interest on Capital Accretion Bonds	85,873	--	85,873	--
Insurance Claims Payable (Notes 1 and 15)	83,809	--	83,809	--
Compensated Employee Absences Payable (Notes 1 and 9)	67,493	2,218	69,711	--
Arbitrage Rebate Payable (Note 9)	138	148	286	--
Capital Lease Obligations Payable (Notes 9 and 11)	101,544	--	101,544	--
Bonds Payable (Note 9)	1,108,311	158,428	1,266,739	--
Net Pension Obligation (Notes 9 and 17)	490	--	490	--
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	177,927	177,927	--
Total Liabilities	<u>2,080,903</u>	<u>420,914</u>	<u>2,501,817</u>	<u>17,437</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,336,881	335,795	2,672,676	16
Restricted for:				
Expendable				
Capital Projects	240,768	--	240,768	--
Debt Service	24,196	--	24,196	--
Legally Segregated Special Revenue Funds Restricted for				
Grants and Other Purposes	648,092	--	648,092	--
Children and Families Commission of Orange County	--	--	--	146,184
Airport	--	113,402	113,402	--
Waste Management	--	233,999	233,999	--
Nonexpendable				
Regional Park Endowment	97	--	97	--
Unrestricted (Deficit) (Note 1)	(44,929)	--	(44,929)	--
Total Net Assets	<u>\$ 3,205,105</u>	<u>\$ 683,196</u>	<u>\$ 3,888,301</u>	<u>\$ 146,200</u>

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

Functions/Programs	Net Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 215,416	\$ (43,645)	\$ 38,977	\$ 78,524	\$ 65,955
Public Protection	918,097	29,601	279,241	427,436	912
Public Ways and Facilities	80,468	(2,540)	34,884	27,603	--
Health and Sanitation	448,804	6,255	78,686	316,154	--
Public Assistance	733,952	7,035	3,794	683,975	--
Education	30,030	611	1,795	1,183	--
Recreation and Cultural Services	72,067	1,463	32,882	6,063	22
Interest on Long-Term Debt	81,841	--	--	--	--
Total Governmental Activities	<u>2,580,675</u>	<u>(1,220)</u>	<u>470,259</u>	<u>1,540,938</u>	<u>66,889</u>
Business-Type Activities					
Airport	79,307	575	95,562	3,817	10,703
Waste Management	86,888	645	114,541	10,151	--
Total Business-Type Activities	<u>166,195</u>	<u>1,220</u>	<u>210,103</u>	<u>13,968</u>	<u>10,703</u>
Total Primary Government	<u>\$ 2,746,870</u>	<u>\$ --</u>	<u>\$ 680,362</u>	<u>\$ 1,554,906</u>	<u>\$ 77,592</u>
Component Unit					
Children and Families					
Commission of Orange County	<u>\$ 52,878</u>	<u>\$ --</u>	<u>\$ 138</u>	<u>\$ 53,171</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
 Property Taxes in Lieu of Motor Vehicle License Fees
 Other Taxes
 Grants and Contributions Not Restricted to Specific Programs
 State Allocation of Motor Vehicle License Fees
 Unrestricted Investment Earnings
 Miscellaneous
 Transfers (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.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ 11,685	\$ --	\$ 11,685	
(240,109)	--	(240,109)	
(15,441)	--	(15,441)	
(60,219)	--	(60,219)	
(53,218)	--	(53,218)	
(27,663)	--	(27,663)	
(34,563)	--	(34,563)	
(81,841)	--	(81,841)	
<u>(501,369)</u>	<u>--</u>	<u>(501,369)</u>	
--	30,200	30,200	
--	37,159	37,159	
--	67,359	67,359	
<u>(501,369)</u>	<u>67,359</u>	<u>(434,010)</u>	
			<u>\$ 431</u>
247,390	--	247,390	--
49,295	--	49,295	--
37,504	--	37,504	--
28,893	--	28,893	--
24,122	--	24,122	--
141,319	--	141,319	--
48,862	--	48,862	--
9,442	--	9,442	--
54,325	--	54,325	--
30,674	--	30,674	--
48,823	314	49,137	224
14,579	(14,579)	--	--
<u>735,228</u>	<u>(14,265)</u>	<u>720,963</u>	<u>224</u>
233,859	53,094	286,953	655
<u>2,971,246</u>	<u>630,102</u>	<u>3,601,348</u>	<u>145,545</u>
<u>\$ 3,205,105</u>	<u>\$ 683,196</u>	<u>\$ 3,888,301</u>	<u>\$ 146,200</u>

Functions/Programs

Primary Government

Governmental Activities
 General Government
 Public Protection
 Public Ways and Facilities
 Health and Sanitation
 Public Assistance
 Education
 Recreation and Cultural Services
 Interest on Long-Term Debt
 Total Governmental Activities

Business-Type Activities

Airport
 Waste Management
 Total Business-Type Activities
 Total Primary Government

Component Unit

Children and Families
 Commission of Orange County

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
 Property Taxes in Lieu of Motor Vehicle License Fees
 Other Taxes
 Grants and Contributions Not Restricted to Specific Programs
 State Allocation of Motor Vehicle License Fees
 Unrestricted Investment Earnings
 Miscellaneous
 Transfers (Note 1)
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning of Year
 Net Assets - End of Year

County of Orange
 Comprehensive Annual Financial Report
 June 30, 2005

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding Bonds & Recovery COPs & Debt Prepayment
ASSETS					
Pooled Cash/Investments (Notes 1 and 3)	\$ 384,667	\$ 152,742	\$ 9,367	\$ 16,411	\$ 116,178
Imprest Cash Funds (Notes 3 and 12)	1,237	--	53	--	--
Restricted Cash and Investments with Trustee (Note 3)	2,721	--	--	--	147,219
Investments (Notes 1 and 3)	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	10,265	102	351	--	--
Taxes (Note 1)	23,871	--	623	--	--
Interest/Dividends	1,015	323	14	4	--
Deposits	762	6,597	--	--	--
Loans	87	--	--	--	--
Allowance for Uncollectible Receivables	(347)	(11)	--	--	--
Due from Other Funds (Note 6)	42,825	863	--	--	--
Due from Component Unit (Note 6)	463	--	--	--	--
Due from Other Governmental Agencies	264,963	2,806	1	--	--
Inventory of Materials and Supplies (Notes 1 and 12)	319	68	--	--	--
Prepaid Costs (Notes 1 and 12)	4	--	--	--	--
Land and Improvements Held for Resale (Notes 1 and 12)	--	--	--	--	--
Notes Receivables	--	--	--	--	--
Total Assets	<u>\$ 732,852</u>	<u>\$ 163,490</u>	<u>\$ 10,409</u>	<u>\$ 16,415</u>	<u>\$ 263,397</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 56,119	\$ 1,108	\$ 509	\$ --	\$ --
Salaries and Employee Benefits Payable	67,883	941	1,296	--	--
Deposits from Others	4,449	44,014	3,065	--	--
Due to Other Funds (Note 6)	37,254	1,497	53	6,750	--
Due to Other Governmental Agencies	25,509	--	213	--	--
Estimated Litigation and Claims	2,000	--	--	--	--
Deferred Revenue (Note 1)	218,296	3,082	734	--	--
Total Liabilities	<u>411,510</u>	<u>50,642</u>	<u>5,870</u>	<u>6,750</u>	<u>--</u>
Fund Balances					
Reserved (Note 12)					
Operations	644	--	--	839	--
Operations (Strategic Plan)	71,587	--	--	--	--
Capital Projects	--	--	--	--	--
Debt Service	--	--	--	--	147,219
Contingencies	18,000	--	2,017	--	--
Loans	100	--	--	--	--
Administration Fees	--	--	--	--	--
Prepaid Costs	4	--	--	--	--
Inventory of Materials and Supplies	319	68	--	--	--
Equipment Purchase	--	--	--	--	--
Equipment Replacement	--	--	--	--	--
Land Purchase	--	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Revitalization Projects	--	--	--	--	--
Future Road Projects	--	63,169	--	--	--
Cash Difference Funds	9	--	--	--	--
Imprest Cash Funds	1,237	--	53	--	--
Long Term Receivables	--	--	--	--	--
General Reserve	--	--	--	--	--
Encumbrances	65,894	39,771	1,228	--	--
Unreserved, Reported in:					
General Fund	163,548	--	--	--	--
Special Revenue Funds	--	9,840	1,241	8,826	--
Debt Service Funds	--	--	--	--	116,178
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Total Fund Balances	<u>321,342</u>	<u>112,848</u>	<u>4,539</u>	<u>9,665</u>	<u>263,397</u>
Total Liabilities and Fund Balances	<u>\$ 732,852</u>	<u>\$ 163,490</u>	<u>\$ 10,409</u>	<u>\$ 16,415</u>	<u>\$ 263,397</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
\$ 218,389	\$ 59,224	\$ 578,505	\$ 1,535,483
--	--	13	1,303
--	--	376,162	526,102
--	--	5,655	5,655
--	654	--	654
1,188	1,649	1,629	15,184
1,173	869	15,599	42,135
336	84	1,252	3,028
71,751	--	--	79,110
50	1,453	8	1,598
(9)	(6)	(7)	(380)
1,090	358	40,936	86,072
--	1	--	464
649	1,117	8,587	278,123
182	96	400	1,065
--	--	911	915
--	--	1,255	1,255
--	--	23,802	23,802
<u>\$ 294,799</u>	<u>\$ 65,499</u>	<u>\$ 1,054,707</u>	<u>\$ 2,601,568</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)
Deposits In-Lieu of Cash
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
Estimated Litigation and Claims
Deferred Revenue (Note 1)
Total Liabilities

Fund Balances

Reserved (Note 12)
Operations
Operations (Strategic Plan)
Capital Projects
Debt Service
Contingencies
Loans
Administration Fees
Prepaid Costs
Inventory of Materials and Supplies
Equipment Purchase
Equipment Replacement
Land Purchase
Land and Improvements Held for Resale
Revitalization Projects
Future Road Projects
Cash Difference Funds
Imprest Cash Funds
Long Term Receivables
General Reserve
Encumbrances
Unreserved, Reported in:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Fund
Total Fund Balances

Total Liabilities and Fund Balances

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 \$1,256,162 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 \$ 1,948,943

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	\$ 567,243	
Structures and improvements	859,891	
Equipment	233,506	
Infrastructure	1,104,098	
Construction in progress	426,904	
Accumulated depreciation	<u>(806,101)</u>	2,385,541

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

Prepaid pension asset	152,475	
Unamortized bond issuance cost	<u>2,379</u>	154,854

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.

77,841

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.

164,161

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

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.

5,988

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 \$1,532,223 which consisted of the following:

Bonds and COPs payable, net	(1,172,831)	
Compensated employee absences payable	(146,645)	
Pool participants claims	(800)	
Capital lease obligations payable	(100,945)	
Arbitrage rebate payable	(138)	
Interest payable on bonds and capital lease obligations payable	(22,851)	
Interest accretion on capital appreciation bonds payable	(85,873)	
Estimated liability - litigation and claims	(1,380)	
Due to fiduciary fund for the County's net pension obligation for the Extra-Help Employees' Defined Benefit Retirement Plan	(760)	(1,532,223)
	(760)	(1,532,223)

Net assets of governmental activities

\$ 3,205,105

County of Orange
Comprehensive Annual Financial Report
For the Year Ended June 30, 2005

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding Bonds & Recovery COPs & Debt Prepayment
Revenues					
Taxes	\$ 393,078	\$ --	\$ 28,559	\$ --	\$ --
Licenses, Permits, and Franchises	7,698	390	551	--	--
Fines, Forfeitures and Penalties	41,451	17	6	--	--
Use of Money and Property	13,277	3,407	154	239	10,215
Intergovernmental	1,310,949	21,430	1,541	--	28,344
Charges for Services	327,191	12,542	1,184	--	--
Contributions from Property Owners	--	--	--	--	--
Other	219,841	979	363	30,787	--
Total Revenues	2,313,485	38,765	32,358	31,026	38,559
Expenditures					
Current					
General Government	326,782	--	--	7	103
Public Protection	797,812	--	--	--	--
Public Ways and Facilities	27,168	38,471	--	--	--
Health and Sanitation	443,965	--	--	--	--
Public Assistance	609,016	--	--	--	--
Education	--	--	29,745	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	73,011	5,410	330	--	--
Debt Service					
Principal Retirement	3,533	--	402	--	42,130
Interest	6,201	--	483	--	48,008
Total Expenditures	2,287,488	43,881	30,960	7	90,241
Excess (Deficit) of Revenues Over Expenditures	25,997	(5,116)	1,398	31,019	(51,682)
Other Financing Sources (Uses)					
Transfers In (Note 8)	90,206	--	--	5	80,984
Transfers Out (Note 8)	(136,868)	--	(12)	(32,172)	(10,204)
Capital Leases (Notes 9 and 11)	38,842	--	75	--	--
Net Change in Fund Balances	18,177	(5,116)	1,461	(1,148)	19,098
Fund Balances - Beginning of Year	303,165	117,964	3,078	10,813	244,299
Fund Balances - End of Year	<u>\$ 321,342</u>	<u>\$ 112,848</u>	<u>\$ 4,539</u>	<u>\$ 9,665</u>	<u>\$ 263,397</u>

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

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

Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Total Governmental Funds	
\$ 48,662	\$ 36,164	\$ 24,133	\$ 530,596	Revenues
145	260	10,723	19,767	Taxes
12	113	29,087	70,686	Licenses, Permits, and Franchises
7,355	25,747	52,198	112,592	Fines, Forfeitures and Penalties
4,884	4,452	159,770	1,531,370	Use of Money and Property
9,413	8,093	20,793	379,216	Intergovernmental
--	--	65,955	65,955	Charges for Services
2,158	1,216	12,830	268,174	Contributions from Property Owners
<u>72,629</u>	<u>76,045</u>	<u>375,489</u>	<u>2,978,356</u>	Other
				Total Revenues
--	--	29,991	356,883	Expenditures
46,494	--	30,483	874,789	Current
--	--	5,436	71,075	General Government
--	--	2,922	446,887	Public Protection
--	--	122,084	731,100	Public Ways and Facilities
--	--	--	29,745	Health and Sanitation
--	67,229	182	67,411	Public Assistance
75,417	5,200	47,778	207,146	Education
--	--	15,438	61,503	Recreation and Cultural Services
--	--	12,442	67,134	Capital Outlay
<u>121,911</u>	<u>72,429</u>	<u>266,756</u>	<u>2,913,673</u>	Debt Service
(49,282)	3,616	108,733	64,683	Principal Retirement
--	5,314	68,042	244,551	Interest
(3,175)	--	(56,883)	(239,314)	Total Expenditures
<u>--</u>	<u>--</u>	<u>--</u>	<u>38,917</u>	Excess (Deficit) of Revenues
				Over Expenditures
(52,457)	8,930	119,892	108,837	Other Financing Sources (Uses)
258,618	41,044	861,125	1,840,106	Transfers In (Note 8)
<u>\$ 206,161</u>	<u>\$ 49,974</u>	<u>\$ 981,017</u>	<u>\$ 1,948,943</u>	Transfers Out (Note 8)
				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 \$108,837 in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$233,859 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	\$	108,837
--	----	---------

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.

		51,225
--	--	--------

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 \$62,213 principal and other long-term liability payments and other financing source are as follows:

Principal and other long-term liability payments:		
Bonds payable	\$ 57,077	
Option B pool participant claims	800	
Capital lease obligations	4,440	
Arbitrage rebate payable	<u>(104)</u>	62,213

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 \$10,517 difference are as follows:

Government mandated and voluntary nonexchange revenues earned in FY 2004-05	10,876	
Property tax revenues levied in FY 2004-05 but not available	<u>(359)</u>	10,517

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

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 \$24,011 difference are as follows:

Accrued interest expense on bonds payable	(1,481)	
Amortization of deferred charges	(475)	
Compensated employee absences expense	(2,391)	
Pension costs and amortization of the County's investment account with OCERS	(5,733)	
Accrued litigation and claims expense	(1,380)	
Accrued interest expense on capital lease	(233)	
Interest accretion on capital appreciation bonds	(12,318)	(24,011)

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.

	25,078
Change in net assets of governmental activities	\$ 233,859

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 242,914	\$ 121,335	\$ 364,249
Licenses, Permits, and Franchises		8,158	(790)	7,368
Fines, Forfeitures and Penalties		37,869	(4,776)	33,093
Use of Money and Property		9,527	15	9,542
Intergovernmental Revenues		1,344,080	(74,644)	1,269,436
Charges for Services		354,052	1,146	355,198
Other Revenues		212,853	2,825	215,678
Transfers In		130,828	26,071	156,899
Capital Leases		--	--	--
Total Revenues and Other Financing Sources		<u>2,340,281</u>	<u>71,182</u>	<u>2,411,463</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Assessor	\$ 615	30,764	(226)	31,153
Auditor-Controller	820	14,996	(194)	15,622
Board of Supervisors - 1st District	--	761	--	761
Board of Supervisors - 2nd District	3	752	--	755
Board of Supervisors - 3rd District	--	728	--	728
Board of Supervisors - 4th District	--	735	--	735
Board of Supervisors - 5th District	2	765	--	767
Capital Acquisition Financing	--	8,856	--	8,856
Capital Projects	28,715	28,146	735	57,596
Clerk of the Board	11	2,526	219	2,756
County Counsel	463	8,409	(82)	8,790
County Executive Office	1,591	17,996	(24)	19,563
Data Systems Development Project	1,704	14,999	213	16,916
Employee Benefits	16	8,398	(10)	8,404
Human Resources	--	2,224	(12)	2,212
Internal Audit	8	2,375	(13)	2,370
Miscellaneous	--	189,884	35,263	225,147
Office of Protocol and International Business Development	--	40	--	40
Provisions For Contingencies	--	5,000	--	5,000
Recovery Certificates of Participation Lease Financing	--	65,980	5,819	71,799
Registrar of Voters	125	13,254	1,475	14,854
Treasurer-Tax Collector	29	13,565	(65)	13,529
Utilities	2,793	22,231	--	25,024
Public Protection:				
Alternate Defense	--	10,439	101	10,540
Child Support Services	50	59,632	(4,640)	55,042
Clerk-Recorder	1,220	10,058	(57)	11,221
Detention Release	--	1,476	(12)	1,464
District Attorney	1,290	80,719	560	82,569
Emergency Management Division	43	1,300	21	1,364
Grand Jury	--	533	(1)	532
Juvenile Justice Commission	2	184	(10)	176
Planning and Development Services Department	99	7,956	673	8,728
Probation	2,858	117,870	12,544	133,272
Public Defender	282	47,758	(198)	47,842
Sheriff-Coroner	9,297	399,741	14,627	423,665
Sheriff-Coroner Communications	174	9,802	588	10,564
Sheriff Court Operations	42	42,851	97	42,990
Trial Courts	292	67,407	4,982	72,681
Public Ways and Facilities:				
Resources and Development Management Department	1,990	43,852	990	46,832
Health and Sanitation:				
Health Care Agency	2,483	464,977	6,336	473,796
Watershed Management Program	2,813	19,389	34	22,236
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	314	123,625	(1,476)	122,463
Aid to Refugees	--	317	--	317
California Works Opportunities and Responsibility to Kids - Family Group/Unemployed Parent Program	--	108,823	2,605	111,428
Community Services Agency	651	15,213	1,206	17,070
General Relief	--	1,277	--	1,277
Social Services Agency (Note 1)	6,753	392,518	11,987	411,258
Total Expenditures/Encumbrances and Other Financing Uses	<u>67,548</u>	<u>2,481,101</u>	<u>94,055</u>	<u>2,642,704</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(67,548)	(140,820)	(22,873)	(231,241)
Fund Balances - Beginning of Year	--	107,100	--	107,100
Cancellation of Reserves/Designations	--	33,720	--	33,720
Fund Balance Reserved for Encumbrances	67,548	--	--	67,548
Provisions for Reserves and/or Designations	--	--	22,873	22,873
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, 2005	Unspent Appropriations	
\$ 393,078	\$ 28,829			Revenues and Other Financing Sources
7,698	330			Taxes
41,451	8,358			Licenses, Permits, and Franchises
13,277	3,735			Fines, Forfeitures and Penalties
1,310,949	41,513			Use of Money and Property
327,191	(28,007)			Intergovernmental Revenues
219,841	4,163			Charges for Services
90,206	(66,693)			Other Revenues
38,842	38,842			Transfers In
2,442,533	31,070			Capital Leases
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				General Government:
29,009	2,144	\$ 402	\$ 1,742	Assessor
14,443	1,179	882	297	Auditor-Controller
742	19	--	19	Board of Supervisors - 1st District
726	29	--	29	Board of Supervisors - 2nd District
671	57	--	57	Board of Supervisors - 3rd District
621	114	--	114	Board of Supervisors - 4th District
730	37	--	37	Board of Supervisors - 5th District
6,800	2,056	--	2,056	Capital Acquisition Financing
25,240	32,356	22,064	10,292	Capital Projects
2,697	59	56	3	Clerk of the Board
7,149	1,641	218	1,423	County Counsel
14,857	4,706	1,184	3,522	County Executive Office
13,858	3,058	1,339	1,719	Data Systems Development Project
3,767	4,637	14	4,623	Employee Benefits
2,062	150	23	127	Human Resources
2,080	290	83	207	Internal Audit
215,525	9,622	--	9,622	Miscellaneous
40	--	--	--	Office of Protocol and International Business Development
--	5,000	--	5,000	Provisions For Contingencies
71,799	--	--	--	Recovery Certificates of Participation Lease Financing
14,333	521	230	291	Registrar of Voters
12,334	1,195	23	1,172	Treasurer-Tax Collector
20,459	4,565	2,331	2,234	Utilities
				Public Protection:
10,540	--	--	--	Alternate Defense
53,144	1,898	104	1,794	Child Support Services
8,752	2,469	359	2,110	Clerk-Recorder
1,321	143	3	140	Detention Release
81,491	1,078	1,126	(48)	District Attorney
1,197	167	14	153	Emergency Management Division
476	56	3	53	Grand Jury
154	22	--	22	Juvenile Justice Commission
7,818	910	94	816	Planning and Development Services Department
122,123	11,149	3,354	7,795	Probation
47,129	713	139	574	Public Defender
381,192	42,473	10,218	32,255	Sheriff-Coroner
9,222	1,342	140	1,202	Sheriff-Coroner Communications
39,465	3,525	44	3,481	Sheriff Court Operations
72,295	386	433	(47)	Trial Courts
				Public Ways and Facilities:
27,549	19,283	2,133	17,150	Resources and Development Management Department
				Health and Sanitation:
438,635	35,161	5,008	30,153	Health Care Agency
10,659	11,577	2,627	8,950	Watershed Management Program
				Public Assistance:
105,044	17,419	217	17,202	Aid to Families with Dependent Children - Foster Care
174	143	--	143	Aid to Refugees
				California Works Opportunities and Responsibility to Kids -
110,180	1,248	--	1,248	Family Group/Unemployed Parent Program
15,324	1,746	392	1,354	Community Services Agency
827	450	--	450	General Relief
419,703	(8,445)	10,637	(19,082)	Social Services Agency (Note 1)
				Total Expenditures/Encumbrances
2,424,356	218,348	\$ 65,894	\$ 152,454	and Other Financing Uses
				Excess (Deficit) of Revenues and Other
				Financing Sources Over Expenditures/
				Encumbrances and Other Financing Uses
18,177	\$ 249,418			
303,165				Fund Balances - Beginning of Year
(157,794)				Cancellation of Reserves/Designations
65,894				Fund Balance Reserved for Encumbrances
91,900				Provisions for Reserves and/or Designations
\$ 321,342				Fund Balances - End of Year

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues				
Licenses, Permits, and Franchises		\$ 459	\$ --	\$ 459
Fines, Forfeitures and Penalties		17	--	17
Use of Money and Property		1,600	--	1,600
Intergovernmental Revenues		31,674	--	31,674
Charges for Services		13,901	(92)	13,809
Other Revenues		16,688	--	16,688
Total Revenues		<u>64,339</u>	<u>(92)</u>	<u>64,247</u>
Expenditures/Encumbrances				
Public Ways and Facilities:				
Roads	\$ 30,728	69,118	(93)	99,753
Foothill Circulation Phasing Plan	5,363	5,918	(638)	10,643
Total Expenditures/Encumbrances	<u>36,091</u>	<u>75,036</u>	<u>(731)</u>	<u>110,396</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	(36,091)	(10,697)	639	(46,149)
Fund Balances - Beginning of Year	--	(1,003)	--	(1,003)
Cancellation of Reserves/Designations	--	11,700	--	11,700
Fund Balance Reserved for Encumbrances	36,091	--	--	36,091
Provisions for Reserves and/or Designations	--	--	(639)	(639)
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, 2005	Unspent Appropriations
\$ 390	\$ (69)		
17	--		
3,407	1,807		
21,430	(10,244)		
12,542	(1,267)		
979	(15,709)		
<u>38,765</u>	<u>(25,482)</u>		
43,530	56,223	\$ 34,374	\$ 21,849
351	10,292	5,397	4,895
<u>43,881</u>	<u>66,515</u>	<u>\$ 39,771</u>	<u>\$ 26,744</u>
(5,116)	<u>\$ 41,033</u>		
117,964			
(103,007)			
39,771			
63,236			
<u>\$ 112,848</u>			

Revenues

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

Expenditures/Encumbrances

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

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
 For the Year Ended June 30, 2005

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 27,123	\$ 649	\$ 27,772
Licenses, Permits, and Franchises		2,803	708	3,511
Fines, Forfeitures and Penalties		8	--	8
Use of Money and Property		122	--	122
Intergovernmental Revenues		1,456	154	1,610
Charges for Services		1,173	16	1,189
Other Revenues		252	53	305
Transfers In		--	150	150
Capital Leases		--	--	--
Total Revenues and Other Financing Sources		<u>32,937</u>	<u>1,730</u>	<u>34,667</u>
Expenditures/Encumbrances and Other Financing Uses				
Education:				
Public Library - Capital	\$ 280	3,144	677	4,101
Public Library	410	30,512	480	31,402
Total Expenditures/Encumbrances and Other Financing Uses	<u>690</u>	<u>33,656</u>	<u>1,157</u>	<u>35,503</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	(690)	(719)	573	(836)
Fund Balances - Beginning of Year	--	719	--	719
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	690	--	--	690
Provisions for Reserves and/or Designations	--	--	(573)	(573)
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, 2005	Unspent Appropriations																																									
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">28,559</td><td style="width: 10px;">\$</td><td style="width: 100px;">787</td></tr> <tr><td></td><td>551</td><td></td><td>(2,960)</td></tr> <tr><td></td><td>6</td><td></td><td>(2)</td></tr> <tr><td></td><td>154</td><td></td><td>32</td></tr> <tr><td></td><td>1,541</td><td></td><td>(69)</td></tr> <tr><td></td><td>1,184</td><td></td><td>(5)</td></tr> <tr><td></td><td>363</td><td></td><td>58</td></tr> <tr><td></td><td>--</td><td></td><td>(150)</td></tr> <tr><td></td><td>75</td><td></td><td>75</td></tr> <tr><td></td><td><u>32,433</u></td><td></td><td><u>(2,234)</u></td></tr> </table>	\$	28,559	\$	787		551		(2,960)		6		(2)		154		32		1,541		(69)		1,184		(5)		363		58		--		(150)		75		75		<u>32,433</u>		<u>(2,234)</u>				<p>Revenues and Other Financing Sources</p> <ul style="list-style-type: none"> 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 <li style="padding-left: 20px;">Total Revenues and Other Financing Sources
\$	28,559	\$	787																																									
	551		(2,960)																																									
	6		(2)																																									
	154		32																																									
	1,541		(69)																																									
	1,184		(5)																																									
	363		58																																									
	--		(150)																																									
	75		75																																									
	<u>32,433</u>		<u>(2,234)</u>																																									
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">276</td><td style="width: 10px;">\$</td><td style="width: 100px;">723</td><td style="width: 10px;">\$</td><td style="width: 100px;">3,102</td></tr> <tr><td></td><td>30,696</td><td></td><td><u>505</u></td><td></td><td><u>201</u></td></tr> <tr><td></td><td><u>30,972</u></td><td></td><td><u>\$ 1,228</u></td><td></td><td><u>\$ 3,303</u></td></tr> </table>		276	\$	723	\$	3,102		30,696		<u>505</u>		<u>201</u>		<u>30,972</u>		<u>\$ 1,228</u>		<u>\$ 3,303</u>				<p>Expenditures/Encumbrances and Other Financing Uses</p> <p>Education:</p> <ul style="list-style-type: none"> Public Library - Capital Public Library <li style="padding-left: 20px;">Total Expenditures/Encumbrances and Other Financing Uses <li style="padding-left: 40px;">Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses 																						
	276	\$	723	\$	3,102																																							
	30,696		<u>505</u>		<u>201</u>																																							
	<u>30,972</u>		<u>\$ 1,228</u>		<u>\$ 3,303</u>																																							
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">1,461</td><td style="width: 10px;">\$</td><td style="width: 100px;"><u>2,297</u></td></tr> </table>		1,461	\$	<u>2,297</u>				<ul style="list-style-type: none"> 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 																																				
	1,461	\$	<u>2,297</u>																																									
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">3,078</td><td></td><td></td></tr> <tr><td></td><td>(3,298)</td><td></td><td></td></tr> <tr><td></td><td>1,228</td><td></td><td></td></tr> <tr><td></td><td>2,070</td><td></td><td></td></tr> <tr><td></td><td><u>\$ 4,539</u></td><td></td><td></td></tr> </table>		3,078				(3,298)				1,228				2,070				<u>\$ 4,539</u>																										
	3,078																																											
	(3,298)																																											
	1,228																																											
	2,070																																											
	<u>\$ 4,539</u>																																											

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Use of Money and Property		\$ 10	\$ --	\$ 10
Intergovernmental Revenues		30,459	(30,459)	--
Other Revenues		--	30,459	30,459
Transfers In		--	--	--
Total Revenues and Other Financing Sources		<u>30,469</u>	<u>--</u>	<u>30,469</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	\$ --	36,111	3,047	39,158
Tobacco Settlement Funds	--	1,281	8	1,289
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>37,392</u>	<u>3,055</u>	<u>40,447</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/ Encumbrances and Other Financing Uses	--	(6,923)	(3,055)	(9,978)
Fund Balances - Beginning of Year	--	6,923	--	6,923
Cancellation of Reserves/Designations	--	--	3,055	3,055
Provisions for Reserves and/or Designations	--	--	--	--
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, 2005	Unspent Appropriations
\$ 239	\$ 229		
--	--		
30,787	328		
<u>5</u>	<u>5</u>		
<u>31,031</u>	<u>562</u>		
32,177	6,981	\$ --	\$ 6,981
<u>2</u>	<u>1,287</u>	<u>--</u>	<u>1,287</u>
<u>32,179</u>	<u>8,268</u>	<u>\$ --</u>	<u>\$ 8,268</u>
(1,148)	<u>\$ 8,830</u>		
10,813			
(839)			
<u>839</u>			
<u>\$ 9,665</u>			

Revenues and Other Financing Sources

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

Expenditures/Encumbrances and Other Financing Uses

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

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

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues				
Taxes		\$ 44,880	\$ (4,069)	\$ 40,811
Licenses, Permits, and Franchises		250	--	250
Fines, Forfeitures and Penalties		--	--	--
Use of Money and Property		3,642	--	3,642
Intergovernmental Revenues		10,220	--	10,220
Charges for Services		7,333	--	7,333
Other Revenues		1,406	--	1,406
Total Revenues		<u>67,731</u>	<u>(4,069)</u>	<u>63,662</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Flood Control District	\$ 14,122	79,753	(4,069)	89,806
Santa Ana River Environmental Enhancement	2	234	(1)	235
Flood Control District - Capital	<u>3,664</u>	<u>84,616</u>	<u>--</u>	<u>88,280</u>
Total Expenditures/Encumbrances and Other Financing Uses	<u>17,788</u>	<u>164,603</u>	<u>(4,070)</u>	<u>178,321</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(17,788)	(96,872)	1	(114,659)
Fund Balances - Beginning of Year	--	78,615	--	78,615
Cancellation of Reserves/Designations	--	29,066	--	29,066
Fund Balance Reserved for Encumbrances	17,788	--	--	17,788
Provisions for Reserves and/or Designations	--	(10,809)	(1)	(10,810)
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, 2005	Unspent Appropriations
\$ 48,662	\$ 7,851		
145	(105)		
12	12		
7,355	3,713		
4,884	(5,336)		
9,413	2,080		
2,158	752		
<u>72,629</u>	<u>8,967</u>		
47,051	42,755	\$ 15,203	\$ 27,552
2	233	2	231
<u>78,033</u>	<u>10,247</u>	<u>2,873</u>	<u>7,374</u>
125,086	53,235	<u>\$ 18,078</u>	<u>\$ 35,157</u>
(52,457)	<u>\$ 62,202</u>		
258,618			
(163,133)			
18,078			
145,055			
<u>\$ 206,161</u>			

Revenues

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

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
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
 For the Year Ended June 30, 2005

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 36,267	\$ (3,028)	\$ 33,239
Licenses, Permits, and Franchises		245	--	245
Fines, Forfeitures and Penalties		139	--	139
Use of Money and Property		24,517	371	24,888
Intergovernmental Revenues		18,000	(68)	17,932
Charges for Services		7,762	(7)	7,755
Other Revenues		18,455	100	18,555
Transfers In		404	4,910	5,314
Total Revenues and Other Financing Sources		<u>105,789</u>	<u>2,278</u>	<u>108,067</u>
Expenditures/Encumbrances				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	\$ 297	3,339	(157)	3,479
County Tidelands - Dana Point	2,520	34,928	1,213	38,661
Harbors, Beaches, and Parks	7,933	77,456	(1,586)	83,803
Total Expenditures/Encumbrances	<u>10,750</u>	<u>115,723</u>	<u>(530)</u>	<u>125,943</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances	(10,750)	(9,934)	2,808	(17,876)
Fund Balances - Beginning of Year	--	7,536	--	7,536
Cancellation of Reserves/Designations	--	3,541	--	3,541
Fund Balance Reserved for Encumbrances	10,750	--	--	10,750
Provisions for Reserves and/or Designations	--	(1,143)	(2,808)	(3,951)
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, 2005	Unspent Appropriations																																				
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">36,164</td><td style="width: 10px;">\$</td><td style="width: 100px;">2,925</td></tr> <tr><td></td><td>260</td><td></td><td>15</td></tr> <tr><td></td><td>113</td><td></td><td>(26)</td></tr> <tr><td></td><td>25,747</td><td></td><td>859</td></tr> <tr><td></td><td>4,452</td><td></td><td>(13,480)</td></tr> <tr><td></td><td>8,093</td><td></td><td>338</td></tr> <tr><td></td><td>1,216</td><td></td><td>(17,339)</td></tr> <tr><td></td><td>5,314</td><td></td><td>--</td></tr> <tr><td></td><td><u>81,359</u></td><td></td><td><u>(26,708)</u></td></tr> </table>	\$	36,164	\$	2,925		260		15		113		(26)		25,747		859		4,452		(13,480)		8,093		338		1,216		(17,339)		5,314		--		<u>81,359</u>		<u>(26,708)</u>			
\$	36,164	\$	2,925																																				
	260		15																																				
	113		(26)																																				
	25,747		859																																				
	4,452		(13,480)																																				
	8,093		338																																				
	1,216		(17,339)																																				
	5,314		--																																				
	<u>81,359</u>		<u>(26,708)</u>																																				
		<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">1,768</td><td style="width: 10px;">\$</td><td style="width: 100px;">1,711</td></tr> <tr><td></td><td>17,138</td><td></td><td>21,523</td></tr> <tr><td></td><td>53,523</td><td></td><td>30,280</td></tr> <tr><td></td><td><u>72,429</u></td><td></td><td><u>53,514</u></td></tr> </table>	\$	1,768	\$	1,711		17,138		21,523		53,523		30,280		<u>72,429</u>		<u>53,514</u>	<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">517</td><td style="width: 10px;">\$</td><td style="width: 100px;">1,194</td></tr> <tr><td></td><td>2,315</td><td></td><td>19,208</td></tr> <tr><td></td><td>10,171</td><td></td><td>20,109</td></tr> <tr><td></td><td><u>13,003</u></td><td></td><td><u>40,511</u></td></tr> </table>	\$	517	\$	1,194		2,315		19,208		10,171		20,109		<u>13,003</u>		<u>40,511</u>				
\$	1,768	\$	1,711																																				
	17,138		21,523																																				
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	<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">8,930</td><td style="width: 10px;">\$</td><td style="width: 100px;">26,806</td></tr> </table>	\$	8,930	\$	26,806																																		
\$	8,930	\$	26,806																																				
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">41,044</td></tr> <tr><td></td><td>(35,916)</td></tr> <tr><td></td><td>13,003</td></tr> <tr><td></td><td>22,913</td></tr> <tr><td></td><td><u>49,974</u></td></tr> </table>	\$	41,044		(35,916)		13,003		22,913		<u>49,974</u>																													
\$	41,044																																						
	(35,916)																																						
	13,003																																						
	22,913																																						
	<u>49,974</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

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

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
 June 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
ASSETS				
Current Assets				
Pooled Cash/Investments (Notes 1 and 3)	\$ 47,165	\$ 219,247	\$ 266,412	\$ 182,319
Cash Equivalents/Specific Investments (Notes 1 and 3)	50,098	--	50,098	--
Cash/Cash Equivalents (Notes 1 and 3)	2,192	--	2,192	--
Imprest Cash Funds (Note 3)	14	35	49	133
Restricted Cash and Investments with Trustee (Note 3)	11,500	10,403	21,903	--
Restricted Pooled Cash/Investments (Note 3)	2,051	21,579	23,630	--
Deposits In-Lieu of Cash	21,424	17,533	38,957	--
Receivables				
Accounts	3,331	11,737	15,068	184
Interest/Dividends	233	2,552	2,785	997
Allowance for Uncollectible Receivables	--	(1)	(1)	(2)
Due from Other Funds (Note 6)	--	14	14	8,661
Due from Component Unit (Note 6)	--	--	--	2
Due from Other Governmental Agencies	1,180	617	1,797	107
Inventory of Materials and Supplies (Note 1)	--	--	--	121
Prepaid Costs (Note 1)	1,767	1	1,768	--
Total Current Assets	140,955	283,717	424,672	192,522
Noncurrent Assets				
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 3, and 13)	--	173,125	173,125	--
Investments (Notes 1 and 3)	18,653	--	18,653	--
Capital Assets: (Note 4)				
Land	15,678	18,430	34,108	--
Construction in Progress	42,357	26,610	68,967	770
Structures and Improvements	327,276	6,750	334,026	4,509
Accumulated Depreciation	(146,290)	(2,997)	(149,287)	(3,647)
Equipment	9,891	40,349	50,240	87,059
Accumulated Depreciation	(6,317)	(20,566)	(26,883)	(63,486)
Infrastructure	117,528	217,893	335,421	--
Accumulated Depreciation	(74,799)	(64,385)	(139,184)	--
Total Capital Assets	285,324	222,084	507,408	25,205
Bond Issuance Costs	845	472	1,317	--
Total Noncurrent Assets	304,822	395,681	700,503	25,205
Total Assets	445,777	679,398	1,125,175	217,727

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	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 6,684	\$ 10,280	\$ 16,964	\$ 4,397
Salaries and Employee Benefits Payable	647	1,106	1,753	809
Unearned Revenue	2,128	--	2,128	--
Due to Other Funds (Note 6)	4,522	9,024	13,546	525
Due to Other Governmental Agencies	--	2,172	2,172	3
Insurance Claims Payable (Notes 1 and 15)	--	--	--	50,702
Compensated Employee Absences Payable (Notes 1 and 9)	863	1,589	2,452	1,081
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	370	370	--
Bonds Payable (Notes 1 and 9)	10,388	4,114	14,502	--
Capital Lease Obligations Payable (Note 9)	--	--	--	1,234
Interest Payable	--	234	234	--
Deposits from Others	23,483	18,135	41,618	--
Total Current Liabilities	48,715	47,024	95,739	58,751
Noncurrent Liabilities				
Insurance Claims Payable (Notes 1 and 15)	--	--	--	83,809
Compensated Employee Absences Payable (Notes 1 and 9)	731	1,487	2,218	835
Landfill Site Closure/Postclosure Liability (Notes 9 and 13)	--	177,927	177,927	--
Bonds Payable (Notes 1 and 9)	113,156	45,272	158,428	--
Capital Lease Obligations Payable (Note 9)	--	--	--	4,010
Arbitrage Rebate Payable (Note 9)	--	148	148	--
Total Noncurrent Liabilities	113,887	224,834	338,721	88,654
Total Liabilities	162,602	271,858	434,460	147,405
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	162,625	173,170	335,795	19,961
Restricted (Note 1)	30,153	57,853	88,006	--
Unrestricted (Note 1)	90,397	176,517	266,914	50,361
Total Net Assets	\$ 283,175	\$ 407,540	690,715	\$ 70,322
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			(591)	
Cumulative effect of prior year's internal service funds' allocation.			(6,928)	
Net assets of business-type activities			\$ 683,196	

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 (Dollar Amounts in Thousands)**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Operating Revenues				
Use of Property	\$ 82,164	\$ 634	\$ 82,798	\$ 2,000
Licenses, Permits, and Franchises	--	40	40	--
Charges for Services	13,398	113,615	127,013	62,831
Insurance Premiums	--	--	--	152,557
Other	--	252	252	--
Total Operating Revenues	95,562	114,541	210,103	217,388
Operating Expenses				
Salaries and Employee Benefits	11,412	20,032	31,444	14,464
Services and Supplies	13,527	22,509	36,036	26,842
Professional Services	26,512	13,133	39,645	30,955
Operating Leases	246	666	912	4,193
Insurance Claims (Note 15)	--	--	--	102,014
Other Charges	--	--	--	22,707
Taxes and Other Fees	--	8,529	8,529	--
Landfill Site Closure/Postclosure Costs (Note 13)	--	8,138	8,138	--
Depreciation (Note 4)	18,762	11,273	30,035	5,782
Total Operating Expenses	70,459	84,280	154,739	206,957
Operating Income	25,103	30,261	55,364	10,431
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	14	14	--
Intergovernmental Revenues	638	62	700	30
Interest Revenue	3,179	10,089	13,268	3,725
Interest Expense	(8,376)	(3,335)	(11,711)	(448)
Gain (Loss) on Disposition of Capital Assets	--	(201)	(201)	29
Other Revenue (Expense) - Net	242	(115)	127	1,111
Total Nonoperating Revenues (Expenses)	(4,317)	6,514	2,197	4,447
Income Before Contributions and Transfers	20,786	36,775	57,561	14,878
Capital Contributions	10,703	--	10,703	26
Transfers In (Note 8)	--	--	--	9,342
Transfers Out (Note 8)	--	(14,579)	(14,579)	--
Increase in Net Assets	31,489	22,196	53,685	24,246
Net Assets - Beginning of Year	251,686	385,344		46,076
Net Assets - End of Year	\$ 283,175	\$ 407,540		\$ 70,322
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds.			(591)	
Increase in Net Assets of Business-Type Activities			\$ 53,094	

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, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 93,270	\$ 114,058	\$ 207,328	\$ 64,851
Cash Received for Premiums Within the County's Entity	--	--	--	147,562
Payments to Suppliers for Goods and Services	(41,467)	(29,939)	(71,406)	(157,214)
Payments to Employees for Services	(11,301)	(19,879)	(31,180)	(14,512)
Payments for Interfund Services Provided	--	--	--	(2,457)
Cash Receipts for Interfund Services Provided	2,779	--	2,779	246
Retiree Healthcare Contributions	--	--	--	--
Landfill Site Closure/Postclosure Care Costs	--	(2,498)	(2,498)	--
Taxes and Other Fees	--	(8,529)	(8,529)	--
Other Operating Receipts	242	--	242	3,181
Other Operating Payments	--	(707)	(707)	(23,261)
Net Cash Provided by Operating Activities	<u>43,523</u>	<u>52,506</u>	<u>96,029</u>	<u>18,396</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	--	--	--	8,942
Transfers Out	--	(14,579)	(14,579)	--
Intergovernmental Revenues	638	62	700	30
Net Cash Provided (Used) by Noncapital Financing Activities	<u>638</u>	<u>(14,517)</u>	<u>(13,879)</u>	<u>8,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(20,122)	(17,616)	(37,738)	(4,301)
Principal Paid on Bonds	(10,780)	(4,280)	(15,060)	--
Interest Paid on Long-Term Debt	(6,903)	(2,805)	(9,708)	(221)
Capital Contributions	10,703	--	10,703	--
Transfers In	--	--	--	400
Principal Paid on Capital Lease Obligations	--	--	--	(1,415)
Proceeds from Sale of Capital Assets	7	74	81	289
Net Cash Used by Capital and Related Financing Activities	<u>(27,095)</u>	<u>(24,627)</u>	<u>(51,722)</u>	<u>(5,248)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	3,328	8,285	11,613	2,726
Sales (purchases) of Investments, net	7,711	-	7,711	--
Increase in Restricted Investments with Trustee	--	(72)	(72)	--
Net Cash Provided by Investing Activities	<u>11,039</u>	<u>8,213</u>	<u>19,252</u>	<u>2,726</u>
Net Increase in Cash and Cash Equivalents	28,105	21,575	49,680	24,846
Cash and Cash Equivalents - Beginning of Year	73,581	392,411	465,992	157,606
Cash and Cash Equivalents - End of Year	<u>\$ 101,686</u>	<u>\$ 413,986</u>	<u>\$ 515,672</u>	<u>\$ 182,452</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 to Net Cash				
Provided by Operating Activities				
Operating Income	\$ 25,103	\$ 30,261	\$ 55,364	\$ 10,431
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	18,762	11,273	30,035	5,782
Provision for Landfill Site Closure/Postclosure Costs	--	8,138	8,138	--
Fines, Forfeitures and Penalties	--	14	14	--
Other Revenue (Expense)	242	(115)	127	1,111
Landfill Site Closure Disbursements	--	(2,498)	(2,498)	--
(Increases) Decreases In:				
Deposits In-Lieu of Cash	(6,360)	(326)	(6,686)	--
Accounts Receivable	(548)	(559)	(1,107)	(7)
Due from Other Funds	113	--	113	(6,983)
Due from Component Unit	--	--	--	(2)
Due from Other Governmental Agencies	1,521	70	1,591	--
Inventory of Materials and Supplies	--	--	--	165
Prepaid Costs	238	--	238	--
Increases (Decreases) In:				
Accounts Payable	(1,163)	394	(769)	1,491
Salaries and Employee Benefits Payable	91	153	244	(112)
Unearned Revenue	(651)	--	(651)	--
Due to Other Funds	2,666	5,257	7,923	(221)
Due to Other Governmental Agencies	(256)	52	(204)	(2)
Insurance Claims Payable	--	--	--	6,677
Compensated Employee Absences Payable	20	--	20	66
Deposits from Others	3,745	332	4,077	--
Arbitrage Rebate Payable	--	60	60	--
Total Adjustments	<u>18,420</u>	<u>22,245</u>	<u>40,665</u>	<u>7,965</u>
Net Cash Provided by Operating Activities	<u>\$ 43,523</u>	<u>\$ 52,506</u>	<u>\$ 96,029</u>	<u>\$ 18,396</u>
Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts				
Pooled Cash/Investments	\$ 47,165	\$ 219,247	\$ 266,412	\$ 182,319
Cash Equivalents/Specific Investments	50,098	--	50,098	--
Cash/Cash Equivalents	2,192	--	2,192	--
Imprest Cash Funds	14	35	49	133
Restricted Pooled Cash/Investments	2,051	21,579	23,630	--
Restricted Cash and Investments with Trustee	166 (1)	-- (2)	166	--
Restricted Pooled Cash/Investments - Closure & Postclosure Care Costs	--	173,125	173,125	--
Total Cash and Cash Equivalents	<u>\$ 101,686</u>	<u>\$ 413,986</u>	<u>\$ 515,672</u>	<u>\$ 182,452</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

-During the year, the Transportation Internal Service Fund received \$26 of capital contributions from the General Fund.

(1) Does not include \$29,987 from Airport's nonliquid Restricted Cash and Investments.

(2) Does not include \$10,403 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
ASSETS				
Pooled Cash/Investments (Notes 1 and 3)	\$ 48,314	\$ 2,830,697	\$ 4,361	\$ 178,537
Imprest Cash Funds (Notes 1 and 3)	--	--	--	110
Restricted Cash and Investments with Trustees (Notes 1 and 3)	217	--	6,158	1,300
Investments (Notes 1 and 3)	--	--	--	1,141
Deposits In-Lieu of Cash	--	--	--	13,769
Receivables				
Accounts	--	--	--	8,289
Taxes (Note 1)	--	--	--	152,729
Interest/Dividends	326	4,457	27	1,618
Allowance for Uncollectible Receivables	--	--	--	(2)
Due from Other Governmental Agencies (Note 17)	--	79	760	2,862
Notes Receivable	--	--	--	8,600
Total Assets	<u>48,857</u>	<u>2,835,233</u>	<u>11,306</u>	<u>\$ 368,953</u>
LIABILITIES				
Accounts Payable	1,320	--	--	--
Interest Payable	5	113	--	8,442
Deposits from Others	--	--	--	448
Monies Held for Others	--	--	--	64,796
Due to Other Governmental Agencies	--	--	--	30,299
Unapportioned Taxes	--	--	--	264,968
Total Liabilities	<u>1,325</u>	<u>113</u>	<u>--</u>	<u>\$ 368,953</u>
NET ASSETS				
Held in Trust (Note 12)	<u>47,532</u>	<u>2,835,120</u>	<u>11,306</u>	
Total Net Assets	<u>\$ 47,532</u>	<u>\$ 2,835,120</u>	<u>\$ 11,306</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, 2005**

	Private-Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits
Additions:			
Contributions to Pension Trust:			
Employer (Note 17)	\$ --	\$ --	\$ 342
Employee (Note 17)	--	--	2,311
Contributions to Pooled Investments	--	6,774,934	--
Contributions to Private-Purpose Trust	326,324	--	--
Interest and Investment Income (Note 17)	621	63,208	361
Less: Investment Expense (Note 17)	(94)	(1,479)	(4)
Total Additions	326,851	6,836,663	3,010
Deductions:			
Benefits Paid to Participants (Note 17)	--	--	387
Refunds of Prior Contributions (Note 17)	--	--	970
Distributions from Pooled Investments	--	6,504,380	--
Distributions from Private-Purpose Trust	326,723	--	--
Total Deductions	326,723	6,504,380	1,357
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	128	--	--
External Investment Pool	--	332,283	--
Employees' Retirement (Note 17)	--	--	1,653
Net Assets Held in Trust, Beginning of Year	47,404	2,502,837	9,653
Net Assets Held in Trust, End of Year	\$ 47,532	\$ 2,835,120	\$ 11,306





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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Government-Wide Financial Statements

GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" 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 debt is settled. These resources may not be readily available or spendable and consequently are classified into the following categories of net assets in the government-wide financial statements:

- Net Assets Invested in Capital Assets, Net of Related Debt This amount is derived by subtracting the outstanding debts incurred by the County to buy or construct capital assets shown in the Statement of Net Assets, net of depreciation.
- 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, 2005, the County's governmental activities reported restricted net assets of \$913,153 restricted for the purposes of capital projects, debt service, legally segregated special revenue funds restricted for grants and other purpose, and regional park endowment.

Restricted Net Assets for business-type activities amounted to \$347,401 and are restricted for the use of Airport and Waste Management activities, including debt service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

- 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

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 and 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Internal Service Funds The County 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 233 trust and agency funds for FY 2004-05. 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.

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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues and other governmental fund type financial resources 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. As of June 30, 2005, the County reported deferred revenue of \$244,592 in the governmental funds' Balance Sheet, of which \$164,216 represents the amount of intergovernmental revenues unavailable for revenue recognition.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

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.

Proprietary Fund Financial Statements

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.

Internal Service Funds are used to report activities that provide goods or services to other funds of the County. The Internal Service Funds receive revenues through cost-reimbursements of the goods and services provided to other County departments and agencies. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Fiduciary Fund Financial Statements

Fiduciary funds are used to account for assets held in a trustee or agency capacity and cannot be used to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and accrual basis of accounting. Agency funds report only assets and liabilities and therefore, do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The major special revenue fund Budgetary Comparison Statements reported by the County in the Basic Financial Statements 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 2004-05, expenditures exceeded appropriations in the Social Services Agency (SSA) (the legal level of budgetary control) of the General Fund by \$8,445 caused by the County entering into a capital lease for a building with a net present value of \$38,609. The Board of Supervisors approved the execution of this capital lease on February 23, 2005, without increasing appropriations. This excess expenditure was funded by other financing source of \$38,609. The County will annually budget the required lease payments, but does not budget for the GAAP requirement to report both other financing source and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2005, the County has prepaid costs of \$158,854 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 \$152,475. See Note 17 for additional information regarding this pension investment asset for the OCERS Pension Plan.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

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

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

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

Structures and Improvements	10 to 50 years
Equipment	2 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes (Continued)

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

Property taxes receivables are recorded as of the date levied in property tax unapportioned funds, which are classified as agency funds. When collected, the property taxes are deposited into the County Treasury 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 within the fiscal year and collected within 60 days after the fiscal year-end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year-end, and are collected within 60 days after the fiscal year-end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule. The County's portion of the unapportioned taxes at June 30, 2005 is allocated to and recorded in the corresponding funds for reporting purposes.

Unsecured and supplemental property tax levies that are due within the fiscal year but are unpaid at fiscal year-end are recorded as unearned 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, 2005, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.82 percent of the combined beginning secured and unsecured property tax roll charge.

Beginning in FY 2004-05, a sales tax-property tax swap known as the "triple flip" was instituted. The triple flip local government package was part of Proposition 57, a State ballot measure approved by the voters in March 2004. Proposition 57 suspended the one-quarter cent portion of the sales tax dedicated to local government and replaced it 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, legislation was enacted that 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 and Note 19, Subsequent Events.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes (Continued)

In addition, legislation adopted as part of the State's 2004-05 budget process and Proposition 1A, approved by voters on November 2, 2004, permanently reduced the VLF from 2.00% to 0.65%, swapped 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, provided for 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, provided for 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 and established 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2004-05 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 are not charged CWCAP in order to match the reimbursement of indirect costs recorded as program revenues to the same function that the related expense is recorded in.

P. Effects of New Pronouncements

The following summarizes recent GASB pronouncements and their impact, if any, on the 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 December 15, 2004. 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 intends to implement the new reporting requirements for the FY 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 December 15, 2005. 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 is currently studying the impact to the financial statements that GASB Statement No. 43 will impose. The County intends to implement the new reporting requirements for the FY 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 15, 2005. This amendment adds 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 intends to implement the new reporting requirements for the FY 2005-06 financial statements.

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 is currently studying the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Effects of New Pronouncements (Continued)

impact to the financial statements that implementing GASB Statement No. 45 will impose. The County intends to implement the new reporting requirements as required for the FY 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. The County currently does not have a Tobacco Settlement Authority.

In December 2004, GASB issued Statement No. 46, "*Net Assets Restricted by Enabling Legislation – an amendment of GASB No. 34*." This statement imposes limitations on the use of restricted net assets. GASB Statement No. 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as its citizens, public interest groups, or the judiciary, can compel a government to honor. This statement requires governments to disclose the portions of total net assets that are restricted by enabling legislation. Disclosing the amount of net assets restricted by enabling legislation will allow users of the financial statements to distinguish qualifying restrictions on resource use imposed through a government's own action from other types of net asset restrictions. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2005. The County intends to implement this statement for the FY 2005-06 financial statements.

In June 2005, GASB issued Statement No. 47, "*Accounting for Termination Benefits*." This statement provides guidance on accounting and financial reporting for termination benefits. These benefits include incentives for voluntary terminations such as early retirement window programs and involuntary termination benefits, such as severance payments. The statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. The requirements of this statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of GASB Statement No. 45. As noted in the GASB Statement No. 45 discussion detailed above, the County intends to implement this statement in FY 2007-08. For all other termination benefits, this statement is effective for fiscal periods beginning after June 15, 2005, which requires the County to implement GASB Statement No. 47 for the FY 2005-06 financial statements.

In December 2004, GASB issued Technical Bulletin No. 2004-2, "*Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*." This technical bulletin clarifies the requirements of GASB Statements No. 27 and No. 45 for recognition of pension and other postemployment (OPEB) expenditures/expenses and liabilities by cost-sharing employers. The County is already in compliance with respect to OCERS and will implement OPEB accrual requirements (if applicable) with the implementation of GASB Statement No. 45 in the FY 2007-08 financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

<i>Statement of Net Assets Line Item</i>	<i>Corresponding Governmental and Proprietary Funds' Balance Sheet or Statement of Net Assets Line Item</i>
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash/Investments – Closure and Postclosure Costs
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>39,291</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, and other governmental agencies authorized by the Board of Supervisors to participate in the program have not provided a sufficient cash flow to entirely fund the IBNR. The deficit has decreased by \$20,623 from the previous fiscal year due to the impact of legislative changes passed in April 2004 and increased charges to participants in the program. The County will continue to review charges to departments participants in relationship to the IBNR and adjust them as deemed appropriate.

3. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$6,026,164 as of June 30, 2005. 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 are in priority order: 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, 2005 are reported as follows:

Deposits:	
Imprest Cash	\$ 1,610
Deposit Overdraft	(104,455)
Total Cash Overdrafts	(102,845)
Investments:	
With Treasurer	5,567,614
With Trustee	561,395
Total Investments	6,129,009
Total Deposits and Investments	\$ 6,026,164

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

Governmental Funds	\$ 2,068,543
Component Unit	148,272
Fiduciary Funds	3,070,835
Proprietary Funds	738,514
Total Deposits and Investments	\$ 6,026,164

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, 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 market value no less frequently than weekly (50%); the Money Market Fund may invest in funding agreements (10%); the Money Market Funds may also invest in securities lending agreements

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

External Investment Pools (Continued)

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 (governing the investment of public funds) and other relevant California Government Code provisions.

Repurchase agreements are limited to a one year maturity and can only be entered into with entities prescribed in California Government Code Section 53601.7. 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, 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 31, 2005, Fitch reaffirmed the Pools’ ratings of “AAA/V1+.” In November 2004, Moody’s reaffirmed credit ratings of Aaa and MR1 market risk ratings for the County and Educational Investment Pools. The Pools are not registered with the Securities and Exchange Commission.

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school districts are required by legal provisions to deposit their funds with the County Treasurer. The Educational Pool consists entirely of public school districts and therefore includes 100 percent involuntary participants. At June 30, 2005, the County Pool includes approximately 9.47 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, 2005, the major classes of the County's deposits and investments consisted of the following:

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
<u>County Pool</u>					
U.S. Government Agencies	\$ 909,335	\$ 916,654	Discount, 1.66-4.38%	09/09/05-06/28/07	0.97
Bankers' Acceptances	127,495	128,645	Discount	07/05/05-12/20/05	0.26
Commercial Paper	766,801	769,202	Discount	07/01/05-12/23/05	0.09
Negotiable Certificates of Deposit	555,916	556,000	2.93-3.35%	07/13/05-10/14/05	0.10
Medium-Term Corporate Notes	366,236	365,590	2.84-3.71%	08/17/05-06/22/07	0.28
Repurchase Agreements	160,000	160,000	3.45%	07/01/05	0.00
Money Market Mutual Funds	43,596	43,596	Variable	07/01/05	0.00
	\$ 2,929,379	\$ 2,939,687			0.39 *
<u>Educational Pool</u>					
U.S. Government Agencies	\$ 629,369	\$ 633,635	Discount, 1.66-4.38%	09/09/05-06/28/07	0.86
Bankers' Acceptances	94,268	95,000	Discount	08/01/05-11/10/05	0.23
Commercial Paper	936,328	939,156	Discount	07/01/05-12/23/05	0.09
Negotiable Certificates of Deposit	441,965	442,000	2.93-3.28%	07/06/05-09/30/05	0.09
Medium-Term Corporate Notes	313,012	312,913	2.84-3.50%	08/09/05-06/22/07	0.21
Repurchase Agreements	90,000	90,000	3.45%	07/01/05	0.00
Money Market Mutual Funds	66,373	66,373	Variable	07/01/05	0.00
	\$ 2,571,315	\$ 2,579,077			0.29 *
<u>Specific Investments</u>					
U.S. Government Agencies	\$ 15,129	\$ 15,184	Discount	07/01/05-02/06/06	0.17
Commercial Paper	22,113	22,155	Discount	07/05/05-08/22/05	0.06
Negotiable Certificates of Deposit	9,399	9,400	2.93-3.24%	07/06/05-08/11/05	0.09
Repurchase Agreements	1,082	1,081	6.18%	08/15/19	14.13
Money Market Mutual Funds	19,197	19,197	Variable	07/01/05	0.00
	\$ 66,920	\$ 67,017			0.30 *
<u>With Trustees:</u>					
<u>Restricted Investments with Trustees</u>					
U.S. Government Agencies	\$ 226,096	\$ 149,853	Discount	09/01/16-09/01/21	5.03
U.S. Treasury Bonds	10,668	9,764	5.75-9.00%	11/30/05-11/15/18	4.19
U.S. Treasury Strips	7,482	7,285	Discount	10/06/05-11/15/18	0.68
Guaranteed Investment Contracts	296,717	296,717	2.71-6.77%	10/25/05-7/2/26	8.97
Repurchase Agreements	222	222	0.95%	07/01/05	0.00
Money Market Mutual Funds	20,210	20,208	Variable	07/01/05	0.00
	\$ 561,395	\$ 484,049			9.86 *

* Portfolio weighted average maturity

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

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. The weighted average maturity of the County Pool was 0.39 years and the Educational Pool was 0.29 years. Of the County's \$2,929,379 and Educational Pool's \$2,571,315 portfolio at June 30, 2005, over 70.89% and 81.88%, respectively of the investments have a maturity of six months or less. Of the remainder, only 12.60% and 8.16% have a maturity of more than 1 year.

As of June 30, 2005, variable-rate notes comprised 10.75% and 11.17% 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, 2005, the Net Asset Value (NAV) of Money Market Funds for both pools was \$1.00 (in absolute dollar amounts). The average daily investment balance of the County Pool and the Educational Pool amounted to \$2,910,000 and \$2,450,000 with an average effective yield of 2.24% and 2.26%, respectively, for the year ended June 30, 2005.

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.

Credit Risk

The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations. 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, 2005, the County's investments in commercial paper were rated A-1 by S&P, P-1 by Moody's and F-1 by Fitch.

Concentration of Credit Risk

At June 30, 2005, 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.

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

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, 2005 (NR means Not Rated):

<u>Investments</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<u>County Pool</u>				
U.S. Government Agencies				
Federal Farm Credit Discount Notes	AAA	Aaa	AAA	1.67%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	7.82%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	9.92%
Federal Farm Credit Bonds	AAA	Aaa	AAA	3.42%
Freddie Mac Bonds	AAA	Aaa	AAA	8.22%
Bankers' Acceptances	A-1	P-1	F1	4.35%
Commercial Paper	A-1	P-1	F1	26.17%
Negotiable Certificates of Deposit	A-1	P-1	F1	18.98%
Medium-Term Corporate Notes				
Corporate Notes	A	A2	A	4.87%
Corporate Notes	A	Aa3	AA	1.04%
Corporate Notes	AAA	Aaa	NR	1.09%
Corporate Notes	AAA	Aaa	AAA	5.50%
Repurchase Agreements	NR	NR	NR	5.46%
Money Market Mutual Funds	AAA	Aaa	AAA	1.49%
Total County Pool				<u>100.00%</u>
<u>Educational Pool</u>				
U.S. Government Agencies				
FHLB Discount Notes	AAA	Aaa	AAA	1.73%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	7.00%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	7.06%
Federal Farm Credit Bonds	AAA	Aaa	AAA	1.43%
Freddie Mac Bonds	AAA	Aaa	AAA	7.26%
Bankers' Acceptances	A-1	P-1	F1	3.67%
Commercial Paper	A-1	P-1	F1	36.41%
Negotiable Certificates of Deposit	A-1	P-1	F1	17.19%
Medium-Term Corporate Notes				
Corporate Notes	A	A2	A	4.05%
Corporate Notes	A	Aa3	AA	0.73%

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

<u>Investments</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<u>Educational Pool (Continued)</u>				
Corporate Notes	AAA	Aaa	NR	1.22%
Corporate Notes	AAA	Aaa	AAA	6.17%
Repurchase Agreements	NR	NR	NR	3.50%
Money Market Mutual Funds	AAA	Aaa	AAA	2.58%
Total Educational Pool				<u>100.00%</u>
 <u>Specific Investments</u>				
U.S. Government Agencies				
FHLB Discount Notes	AAA	Aaa	AAA	12.96%
Freddie Discount Notes	AAA	Aaa	AAA	6.67%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	2.98%
Commercial Paper	A-1	P-1	F1	33.04%
Negotiable Certificates of Deposit	A-1	P-1	F1	14.04%
Repurchase Agreements	AAA	Aaa	AAA	1.62%
Money Market Mutual Funds	AAA	Aaa	AAA	28.69%
Total Specific Investments				<u>100.00%</u>
 <u>Restricted Investments with Trustees</u>				
U.S. Government Agencies				
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	40.27%
U.S. Treasury Bonds	A1	NR	F1	1.90%
U.S. Treasury Strips	A1	NR	F1	1.34%
Guaranteed Investment Contracts				
Investment Contracts	NR	NR	NR	52.85%
Repurchase Agreement	AAA	Aaa	AAA	0.04%
Money Market Mutual Funds	AAA	Aaa	NR	3.60%
Total Restricted Investments with Trustees				<u>100.00%</u>

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, 2005:

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<u>Statement of Net Assets</u>			
Net assets held for pool participants	\$ 3,519,081	\$ 2,507,175	\$ 6,026,256
Equity of internal pool participants	3,191,136	--	3,191,136
Equity of external pool participants	327,945	2,507,175	2,835,120
Total Net Assets	<u>\$ 3,519,081</u>	<u>\$ 2,507,175</u>	<u>\$ 6,026,256</u>
<u>Statement of Changes in Net Assets</u>			
Net assets as of July 1, 2004	\$ 3,236,689	\$ 2,258,978	\$ 5,495,667
Net change in investments by pool participants	<u>282,392</u>	<u>248,197</u>	<u>530,589</u>
Net Assets at June 30, 2005	<u>\$ 3,519,081</u>	<u>\$ 2,507,175</u>	<u>\$ 6,026,256</u>

4. CHANGES IN CAPITAL ASSETS

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

	Primary Government				Balance June 30, 2005
	Balance July 1, 2004	Increases	Decreases	Adjustment	
Governmental activities:					
Capital assets not depreciated:					
Land	\$ 481,048	\$ 86,797	\$ (602)	\$ --	\$ 567,243
Construction in progress	418,347	32,734	(5,517)	(17,890)	427,674
Total capital assets not being depreciated	899,395	119,531	(6,119)	(17,890)	994,917
Capital assets, depreciable:					
Structures and Improvements	831,374	33,694	(593)	(75)	864,400
Equipment	303,493	25,373	(8,611)	310	320,565
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	2,238,965	59,067	(9,204)	235	2,289,063
Less accumulated depreciation for:					
Structures and Improvements	(329,596)	(24,232)	180	75	(353,573)
Equipment	(201,075)	(23,956)	8,482	(277)	(216,826)
Infrastructure:					
Flood Channels	(173,473)	(8,911)	--	--	(182,384)
Roads	(51,879)	(3,525)	--	--	(55,404)
Bridges	(16,771)	(1,248)	--	--	(18,019)
Trails	(19,366)	(905)	--	--	(20,271)
Traffic signals	(6,266)	(604)	--	--	(6,870)
Harbors and Beaches	(19,049)	(838)	--	--	(19,887)
Total accumulated depreciation	(817,475)	(64,219)	8,662	(202)	(873,234)
Capital assets, depreciable (net)	1,421,490	(5,152)	(542)	33	1,415,829
Governmental activities total capital assets, net	\$ 2,320,885	\$ 114,379	\$ (6,661)	\$ (17,857)	\$ 2,410,746

4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2005
	Balance July 1, 2004	Increases	Decreases	Adjustments	
Business-type activities:					
Capital assets not depreciated:					
Land	\$ 34,108	\$ --	\$ --	\$ --	\$ 34,108
Construction in progress	62,837	34,311	(28,181)	--	68,967
Total capital assets not being depreciated	<u>96,945</u>	<u>34,311</u>	<u>(28,181)</u>	<u>--</u>	<u>103,075</u>
Capital assets, depreciable:					
Structures and Improvements	332,760	1,266	--	--	334,026
Equipment	49,700	3,428	(2,888)	--	50,240
Infrastructure	308,508	26,913	--	--	335,421
Capital assets, depreciable	<u>690,968</u>	<u>31,607</u>	<u>(2,888)</u>	<u>--</u>	<u>719,687</u>
Less accumulated depreciation for:					
Structures and Improvements	(136,650)	(12,637)	--	--	(149,287)
Equipment	(25,278)	(4,212)	2,607	--	(26,883)
Infrastructure	(125,998)	(13,186)	--	--	(139,184)
Total accumulated depreciation	<u>(287,926)</u>	<u>(30,035)</u>	<u>2,607</u>	<u>--</u>	<u>(315,354)</u>
Capital assets, depreciable (net)	<u>403,042</u>	<u>1,572</u>	<u>(281)</u>	<u>--</u>	<u>404,333</u>
Business-type activities total capital assets, net	<u>\$ 499,987</u>	<u>\$ 35,883</u>	<u>\$ (28,462)</u>	<u>\$ --</u>	<u>\$ 507,408</u>

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

Governmental activities:	
General Government	\$ 4,391
Public Protection	29,980
Public Ways and Facilities	8,657
Health and Sanitation	2,786
Public Assistance	5,197
Education	852
Recreation and Cultural Services	6,574
Internal Service Funds' depreciation expense allocated to various functions	<u>5,782</u>
Total governmental activities depreciation expense	<u>64,219</u>
Business-type activities:	
Airport	18,762
Waste Management	11,273
Total business-type activities depreciation expense	<u>30,035</u>
Total depreciation expense	<u>\$ 94,254</u>

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

\$1,003 of accounts receivable for governmental activities is not expected to be received within the next fiscal year, which consists of \$55 for pending litigation, as well as \$480 for accrued revenue related to Community Redevelopment Agency (CRA). In addition, there is \$204 for false alarm billings for the Sheriff's Department. The remaining \$264 is for various invoices and non-sufficient funds checks that remain in the accounts due to statute of limitation constraints.

Deposits Receivable

\$78,827 of deposits receivable for governmental activities is not expected to be received within the next fiscal year, which consists of \$67,933 in the condemnation deposits with the State for the eminent domain litigation, and \$6,597 deposits related to the Laguna Canyon Bridge construction. In addition, there is a \$3,676 deposit related to the US Army Corps of Engineers for the Santa Ana River Project. The remaining \$621 represents various cash advances, service contracts, and deposits.

Notes Receivable

\$20,893 of notes receivable for governmental activities is not expected to be received within the next fiscal year. \$20,063 consists of loans to build affordable, low to moderate income, and senior housing. The remaining \$830 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 \$278,230 due from other governmental agencies for governmental activities, \$68,245 is not expected to be received within the next fiscal year. This consists primarily of \$64,388 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. The other \$3,857 is comprised of various invoices to the State for a variety of County-related activities.

Of the \$1,797 due from other governmental agencies for business-type activities, \$25 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, 2005 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$ 912	
	Public Library	9	
	Tobacco Settlement	6,750	
	Flood Control District	6,012	
	Harbors, Beaches, and Parks	2,564	
	Other Governmental Funds	20,272	
	Internal Service Funds	324	
	Airport	1,980	
	Waste Management	4,002	\$ 42,825
Roads	General Fund	55	
	Flood Control District	598	
	Harbors, Beaches, and Parks	147	
	Other Governmental Funds	37	
	Airport	26	863
Flood Control District	General Fund	143	
	Roads	431	
	Harbors, Beaches, and Parks	280	
	Other Governmental Funds	232	
	Airport	4	1,090
Harbors, Beaches, and Parks	General Fund	100	
	Roads	59	
	Flood Control District	182	
	Other Governmental Funds	9	
	Airport	8	358

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Other Governmental Funds	General Fund	\$ 33,633	
	Roads	86	
	Harbors, Beaches, and Parks	4	
	Other Governmental Funds	4,726	
	Internal Service Funds	5	
	Airport	2,481	
	Waste Management	1	\$ 40,936
Waste Management	General Fund	5	
	Roads	3	
	Flood Control District	4	
	Harbors, Beaches, and Parks	2	14
Internal Service Funds	General Fund	3,318	
	Roads	6	
	Public Library	44	
	Flood Control District	4	
	Harbors, Beaches, and Parks	21	
	Other Governmental Funds	28	
	Internal Service Funds	196	
	Airport	23	
	Waste Management	5,021	8,661
	Total		\$ 94,747

Due From/To Primary Government and Component Unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government – General Fund	Component Unit – Children & Families Commission of Orange County	\$ 463
Primary Government – Internal Service Funds	Component Unit – Children & Families Commission of Orange County	\$ 2
Primary Government – Harbors, Beaches, and Parks Funds	Component Unit – Children & Families Commission of Orange County	\$ 1

The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided, (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, 2005, approximates \$54,999.

The County leases real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2005 are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
FY 2006	\$ 10,160	\$ 18,433
FY 2007	9,894	2,792
FY 2008	9,467	2,696
FY 2009	9,403	1,385
FY 2010	9,382	1,385
	<u>48,306</u>	<u>26,691</u>
FY 2011-2015	31,747	5,437
FY 2016-2020	25,239	920
FY 2021-2025	24,216	175
FY 2026-2030	21,856	--
FY 2031-2035	20,577	--
FY 2036-2040	14,886	--
	<u>138,521</u>	<u>6,532</u>
Total future minimum rentals	<u>\$ 186,827</u>	<u>\$ 33,223</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$39 (Flood Control District), \$359 (Harbors, Beaches, and Parks), \$23,122 (Airport) and \$52 (Waste Management) for the year ended June 30, 2005.

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>		
<u>Governmental Funds</u>			
General Fund	Tobacco Settlement	\$ 5	
	Refunding Bonds and Recovery	80,984	
	COPS and Debt Prepayment		
	Harbors, Beaches, and Parks	5,000	
	Other Governmental Funds	43,516	
	Internal Service Funds	<u>7,363</u>	\$ 136,868
Public Library	Other Governmental Funds	<u>12</u>	12
Tobacco Settlement	General Fund	27,305	
	Other Governmental Funds	<u>4,867</u>	32,172
Refunding Bonds and Recovery COPS and Debt Prepayment	General Fund	2,435	
	Other Governmental Funds	<u>7,769</u>	10,204
Flood Control District	General Fund	<u>3,175</u>	3,175
Other Governmental Funds	Internal Service Funds	1,979	
	General Fund	42,712	
	Harbors, Beaches, and Parks	314	
	Other Governmental Funds	<u>11,878</u>	<u>56,883</u>
Total Governmental Funds			<u>\$ 239,314</u>
<u>Enterprise Fund</u>			
Waste Management	General Fund		<u>\$ 14,579</u>

8. INTERFUND TRANSFERS (Continued)

Interfund transfers reflect a flow of assets between funds and component units of the primary government without an equivalent flow of assets in return. Routine transfers were made in the current fiscal year to (1) relay cash/resources from contributing County funds to various debt service funds for the retirement of long-term obligations (2) 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 \$104,526 was transferred out from the General Fund (\$89,583), the Refunding Bonds and Recovery COPs and Debt Prepayment Fund (\$7,769), and Other Governmental Funds (\$7,174) to the debt service funds in connection with debt service payments for the various County debt issues.
- \$27,305 was transferred from the Tobacco Settlement Fund to the General Fund to finance various health care programs. \$4,596 transferred to Other Governmental Funds was for the Theo Lacy Jail construction.
- \$3,175 was transferred to the Watershed Management program from the Flood Control District to cover the net county cost overrun during FY 2003-04.
- \$14,579 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, \$8,397 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.
- \$22,082 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.
- \$2,435 interest earnings were transferred from the designated Special Revenue Fund to the General Fund per GASB 31 requirement.
- \$6,642 was transferred from the Emergency Medical Services Fund (EMS) to reimburse the General Fund for EMS services.

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

- \$1,100 was transferred from the General Fund to the County Indemnity Health Plans Fund for Public Employees Retirement System (PERS) premium reimbursements and individual judges claim reimbursements.
- \$2,400 was transferred from the General Fund to the Information and Technology Internal Service Fund (ISF) for an IBM Mainframe lease.
- \$3,463 was transferred from the General Fund to the Workers' Compensation ISF for the fire workers and courts workers' compensation payment.
- \$1,621 was transferred from the Capital Project Fund to the Criminal Justice Facilities Special Revenue Fund for Sheriff-Coroner facility construction and development.
- \$5,000 was transferred from the General Fund to the Harbors, Beaches, and Parks District Special Revenue Fund as directed by the Board of Supervisors.
- \$5,000 was transferred from the Deferred Compensation Reimbursement fund to the County General Fund per FY2004-05 adopted budget.

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, 2005, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$3,897,530.

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 included 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. Refer to Note 19, Subsequent Events for additional information.

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 \$1,600; 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 \$800.

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 vehicle license fees (VLF) intercepted from the State Controller, to the extent that there are sufficient fees available for debt service. The outstanding principal balance of these bonds as of June 30, 2005 was \$210,705. On August 18, 2005, the Refunding Bonds were redeemed and refunded in their entirety. Refer to Note 19, Subsequent Events for additional information regarding the Bankruptcy Debt refinancing.

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

Bankruptcy Obligations (Continued)

Recovery Certificates of Participation, Series 1996A

In June 1996, the County issued \$760,800 in the aggregate principal amount of its 1996 Recovery Certificates of Participation, Series A ("1996 Recovery COPs"). 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, 2005, the outstanding principal balance of the 1996 Recovery COPs was \$580,825. On August 16, 2005, the Recovery COPs were defeased in their entirety. Refer to Note 19, Subsequent Events for additional information.

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, 2005, the outstanding principal amount of the Refunding COPs was \$9,084.

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, 2005, the outstanding principal amount of the current interest NDAPP Bonds was \$600, the accreted interest on the capital appreciation NDAPP Bonds was \$94 for the year then ended, and the outstanding principal amount of the NDAPP Refunding Bonds was \$24,440.

9. LONG-TERM OBLIGATIONS (Continued)

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

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, 2005, the outstanding principal amount of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 was \$72,712.

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

In November 2003, OCDA issued \$38,465 Tax Allocation Refunding Bonds Santa Ana Heights Project (SAHP) 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. 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, 2005, the outstanding principal amount of the SAHP Bonds was \$38,467.

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, 2005, the outstanding principal amount of the Series 1994A, 1996A and 1997A Pension Bonds were \$0, \$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.

9. LONG-TERM OBLIGATIONS (Continued)

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

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, 2005 was \$123,725.

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, 2005, the outstanding principal amount of the Lease Revenue Bonds was \$6,245.

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, 2005 was \$133,519. 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, 2005 was \$51,931.

9. LONG-TERM OBLIGATIONS (Continued)

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

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, 2005, \$20,550 of legally defeased debt remains outstanding.

Schedule of Long-Term Debt Obligations, Fiscal Year 2004-05

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2005 were as follows:

<u>Description</u>	<u>Balance July 1, 2004</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due within One Year</u>
<u>Governmental Funds:</u>					
<u>County of Orange Refunding</u>					
<u>Recovery Bonds - Series 1995 A:</u>					
Date Issued: June 1, 1995					
Interest Rate: 5.0% to 6.50%					
Original Amount: \$278,790					
Maturing in installments through June 1, 2015.	\$ 225,870	\$ --	\$ (15,165)	\$ 210,705	\$ 16,155
<u>Orange County Public Facilities</u>					
<u>Corporation, 1996 Recovery</u>					
<u>Certificates of Participation - Series 1996 A:</u>					
Date Issued: June 12, 1996					
Interest Rate: 4.20% to 6.00%					
Original Amount: \$760,800					
Maturing in installments through July 1, 2026.	607,790	--	(26,965)	580,825	28,370
<u>Orange County Public Facilities</u>					
<u>Corporation, Refunding Certificates of</u>					
<u>Participation (Civic Center Parking</u>					
<u>Facilities Project):</u>					
Date Issued: August 1, 1991 - Current Interest					
Rate Bonds (CIB) and Capital Appreciation					
Bonds (CAB)					
To refund prior December 22, 1987 bond issue					
Interest Rate: CIB - 4.40% to 6.75%					
Interest Rate: CAB - 6.85% to 7.05%					
Original Amount: CIB - \$24,495					
Original Amount: CAB - \$9,084					
Maturing in installments through					
December 1, 2018.	11,604	--	(2,520)	9,084	992

9. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2004-05 (Continued)

<u>Description</u>	<u>Balance July 1, 2004</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due within One Year</u>
<u>Orange County Financing Authority Tax Allocation Revenue Bonds - Series 1992 A (Neighborhood Development and Preservation Project):</u>					
Date Issued: June 1, 1992 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB)					
To refund prior June 1, 1989 Orange County Development Agency bond issue					
Interest Rate: CIB - 4.50% to 6.50%					
Interest Rate: CAB - 6.50% to 6.55%					
Original Amount: CIB - \$27,150					
Original Amount: CAB - \$932					
Maturing in installments through September 1, 2022.					
	\$ 932	\$ --	\$ (332)	\$ 600	\$ 309
<u>Orange County Development Agency Tax Allocation Refunding Bonds - Series 2001 (Neighborhood Development and Preservation Project):</u>					
Date Issued: July 11, 2001 - Current Interest Rate Bonds (CIB)					
To refund prior June 1, 1992 Orange County Development Agency bond issue					
Interest Rate: CIB - 4.00% to 5.50%					
Original Amount: \$26,160					
Maturing in installments through September 1, 2022.					
	24,727	(7)	(280)	24,440	297
Deferred Amount on Refunding	(1,042)	55	--	(987)	(55)
<u>Orange County Public Financing Authority Juvenile Justice Center Facility Lease Revenue Refunding Bonds - Series 2002:</u>					
Date issued: May 1, 2002, and delivered April 24, 2002, to refund the outstanding Refunding Certificates of Participation.					
Interest Rate: 3.00% to 5.50%					
Original Amount: \$80,285					
Maturing in installments through June 1, 2019.					
	76,483	(16)	(3,755)	72,712	3,866
Deferred Amount on Refunding	(3,281)	219	--	(3,062)	(219)

9. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2004-05 (Continued)

<u>Description</u>	<u>Balance July 1, 2004</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due within One Year</u>
<u>Orange County Development Agency</u>					
<u>Santa Ana Heights Project Area 2003</u>					
<u>Tax Allocation Refunding Bonds:</u>					
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	\$ (13)	\$ (1,645)	\$ 38,467	\$ 1,371
Deferred Amount on Refunding	(1,787)	92	--	(1,695)	(92)
<u>County of Orange Taxable Pension</u>					
<u>Obligation Bonds – Series 1994 A:</u>					
Date Issued: September 1, 1994 Interest Rate: 6.15% to 8.21% Original Amount: \$209,840 Maturing in installments through September 1, 2004.					
	5,000	--	(5,000)	--	--
<u>County of Orange</u>					
<u>Taxable Refunding Pension</u>					
<u>Obligation Bonds – Series 1996 A:</u>					
Date Issued: June 1, 1996 – Current Interest Rate Bonds (CIB) Date Issued: June 12, 1996 – Capital Appreciation Bonds (CAB) To refund prior September 1, 1994 bond issue. Interest Rate: CIB – 7.47% to 7.72% Interest Rate: CAB – 8.09% to 8.26% Original Amount: CIB - \$81,680 Original Amount: CAB - \$40,000 Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).					
	64,652	--	--	64,652	8,995

9. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2004-05 (Continued)

<u>Description</u>	<u>Balance July 1, 2004</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due within One Year</u>
<u>County of Orange</u>					
<u>Taxable Refunding Pension</u>					
<u>Obligation Bonds – Series 1997 A:</u>					
Date Issued: January 1, 1997 – Current Interest Rate Bonds (CIB)					
Date Issued: January 14, 1997 – Capital Appreciation Bonds (CAB)					
To refund a substantial portion of the September 1, 1994 bond issue.					
Interest Rate: CIB – 5.71% to 7.36%					
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	\$ 3,061
<u>Orange County Special Financing Authority</u>					
<u>Teeter Plan Revenue Bonds - Series A through E:</u>					
Date Issued: June 1, 1995					
Interest Rate: Variable (Series A,B,C,D and E)					
Original Amount: \$155,000					
Maturing in installments through November 1, 2014.					
	123,725	--	--	123,725	--
<u>Orange County Public Financing Authority</u>					
<u>Telecommunications Equipment Project</u>					
<u>Lease Revenue Bonds - Series 2001:</u>					
Date Issued: April 1, 2001					
Interest Rate: 4.00%					
Original Amount: \$10,330					
Maturing in installments through Dec 15, 2008.					
	7,660	--	(1,415)	6,245	1,470
Subtotal - Governmental Funds	1,229,578	330	(57,077)	1,172,831	64,520

9. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2004-05 (Continued)

Description	Balance July 1, 2004	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2005	Amounts Due within One Year
<u>Enterprise Funds:</u>					
<u>Airport Revenue Refunding Bonds - Series 1997:</u>					
Date Issued: April 2, 1997 to refund \$131,490 of the 1987 Airport Revenue bond issue					
Interest Rate: 5.00% to 6.00%					
Original Amount: \$135,050					
Maturing in installments through July 1, 2012.	\$ 92,398	\$ (178)	\$ (8,555)	\$ 83,665	\$ 9,150
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(1,879)	654	--	(1,225)	(476)
<u>Airport Revenue Refunding Bonds - Series 2003:</u>					
Date Issued: May 29, 2003 to refund 1993 Airport Revenue bond issue					
Interest Rate: 2.50% to 5.00%					
Original Amount: \$48,680					
Maturing in installments through July 1, 2018	52,586	(507)	(2,225)	49,854	2,966
Deferred Amount on Refunding (2003 Airport Revenue Bonds)	(10,054)	1,304	--	(8,750)	(1,252)
<u>Orange County Public Financing Authority Waste Management System Refunding Revenue Bonds - Series 1997:</u>					
Date Issued: November 18, 1997 to refund \$77,445 of the OCPFC 1988 Certificate of Participation (Solid Waste Management System)					
Interest Rate: 4.375% to 5.75%					
Original Amount: \$77,300					
Maturing in installments through December 1, 2013.	56,398	(187)	(4,280)	51,931	4,688
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(3,166)	621	--	(2,545)	(574)
Subtotal - Enterprise Funds	186,283	1,707	(15,060)	172,930	14,502
Total	<u>\$ 1,415,861</u>	<u>\$ 2,037</u>	<u>\$ (72,137)</u>	<u>\$ 1,345,761</u>	<u>\$ 79,022</u>

9. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Service Requirements to Maturity

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

<u>Fiscal Year(s) Ending June 30</u>	<u>Governmental Funds</u>		<u>Enterprise Funds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 64,852	\$ 74,107	\$ 16,015	\$ 9,282	\$ 164,256
2007	65,141	71,206	16,880	8,403	161,630
2008	75,692	67,089	17,795	7,456	168,032
2009	64,766	63,432	18,790	6,458	153,446
2010	73,839	60,090	19,810	5,417	159,156
2011-2015	410,378	305,946	75,425	11,627	803,376
2016-2020	169,849	201,194	16,525	1,703	389,271
2021-2025	173,574	64,412	--	--	237,986
2026-2030	75,475	4,594	--	--	80,069
Total	1,173,566	912,070	181,240	50,346	2,317,222
Add: Premium	5,009	--	4,210	--	9,219
Less: Deferred amount on refunding	(5,744)	--	(12,520)	--	(18,264)
Principal payable, net	<u>\$ 1,172,831</u>	<u>\$ 912,070</u>	<u>\$ 172,930</u>	<u>\$ 50,346</u>	<u>\$ 2,308,177</u>

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2005 were as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and COPs payable:					
Revenue bonds	\$ 268,607	\$ --	\$ (7,427)	\$ 261,180	\$ 7,279
Certificates of participation	619,394	--	(29,485)	589,909	29,362
Pension obligation bonds	116,772	--	(5,000)	111,772	12,056
Recovery bonds	225,870	--	(15,165)	210,705	16,155
Add: Premium on bonds payable	5,045	--	(36)	5,009	34
Less: Deferred amount on refunding	(6,110)	--	366	(5,744)	(366)
Total bonds & COPs payable, net	<u>1,229,578</u>	<u>--</u>	<u>(56,747)</u>	<u>1,172,831</u>	<u>64,520</u>
Interest on capital appreciation bonds	73,555	12,318	--	85,873	--

9. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued):

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
Other long-term liabilities:					
Compensated employee absences payable	\$ 146,099	\$ 111,198	\$ (108,736)	\$ 148,561	\$ 81,068
Arbitrage rebate payable	34	104	--	138	--
Pool participant claims	1,600	--	(800)	800	800
Capital lease obligations payable	71,712	38,917	(4,440)	106,189	4,645
Insurance claims payable	127,834	102,014	(95,337)	134,511	50,702
Net pension obligation	771	331	(342)	760	270
Total other long-term liabilities	<u>348,050</u>	<u>252,564</u>	<u>(209,655)</u>	<u>390,959</u>	<u>137,485</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,651,183</u>	<u>\$ 264,882</u>	<u>\$ (266,402)</u>	<u>\$ 1,649,663</u>	<u>\$ 202,005</u>
Business-type Activities:					
Bonds Payable:					
Revenue bonds	\$ 196,300	\$ --	\$ (15,060)	\$ 181,240	\$ 16,015
Add: Premium on bonds payable	5,082	--	(872)	4,210	789
Less: Deferred amount on refunding	(15,099)	--	2,579	(12,520)	(2,302)
Total revenue bonds payable, net	<u>186,283</u>	<u>--</u>	<u>(13,353)</u>	<u>172,930</u>	<u>14,502</u>
Other long-term liabilities:					
Compensated employee absences payable	4,650	3,438	(3,418)	4,670	2,452
Arbitrage rebate payable	88	60	--	148	--
Landfill site closure/postclosure liabilities	172,657	8,138	(2,498)	178,297	370
Total other long-term liabilities	<u>177,395</u>	<u>11,636</u>	<u>(5,916)</u>	<u>183,115</u>	<u>2,822</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 363,678</u>	<u>\$ 11,636</u>	<u>\$ (19,269)</u>	<u>\$ 356,045</u>	<u>\$ 17,324</u>

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2005 is \$148,561 compared with \$146,099 at June 30, 2004. Employees are entitled to paid annual leave, comp time and in some cases vacation and sick time depending on job classification, length of service, and other factors. For the governmental funds, most of the compensated absences liability will ultimately be paid from the General Fund.

9. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds

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

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

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

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt, related transactions are recorded as contributions and distributions within the Investment Pool Trust Fund.

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

Special assessment district and community facilities district bonds outstanding as of June 30, 2005, amounted to \$790,325.

10. CONDUIT DEBT OBLIGATIONS

From 1980 through 2005 the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate-income families.

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

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

As of June 30, 2005, there were 88 series of bonds outstanding, with an aggregate principal amount payable of \$1,036,967.

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>
2006	\$ 18,707	\$ 24,285	\$ 42,992
2007	14,013	20,365	34,378
2008	12,825	19,346	32,171
2009	4,604	17,041	21,645
2010	923	14,055	14,978
2011-2015	--	29,120	29,120
2016-2020	--	1,885	1,885
Total	\$ 51,072	\$ 126,097	\$ 177,169

Total rent expenditures for operating leases incurred for FY 2004-05 was \$47,036.

Capital Leases

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

Land	\$ 24,047
Equipment	4,437
Less: Accumulated Depreciation	(2,986)
Structures and Improvements	101,738
Less: Accumulated Depreciation	(13,460)
Total	\$ 113,776

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, 2005:

<u>Fiscal Year Ending June 30</u>	
2006	\$ 13,418
2007	13,210
2008	13,428
2009	13,696
2010	12,241
2011-2015	50,211
2016-2020	46,155
2021-2025	34,975
2026-2027	980
Total minimum lease payments	198,314
Less: amount representing interest	(92,125)
Present value of net minimum lease payments	\$ 106,189

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, 2005 are reserved for the following purposes:

	General Fund	Roads	Public Library	Tobacco Settlement	Refunding & Recovery COPs and Debt Prepayment	Flood Control District	Harbors, Beaches, and Parks	Other Governmental Funds	Fiduciary Funds
Assets Not Available for Appropriations:									
Encumbrances	\$ 65,894	\$ 39,771	\$ 1,228	\$ --	\$ --	\$ 18,078	\$ 13,003	\$ 15,134	\$ --
Long-term Receivables	--	--	--	--	--	--	--	32,660	--
Imprest Cash Funds	1,237	--	53	--	--	--	--	13	--
Employee's Retirement	--	--	--	--	--	--	--	--	11,306
Inventory of Materials and Supplies	319	68	--	--	--	182	96	400	--
Loans	100	--	--	--	--	50	1,453	8	--
Prepaid Costs	4	--	--	--	--	--	--	911	--
Land and Improvements Held for Resale	--	--	--	--	--	--	--	1,255	--
Debt Service	--	--	--	--	147,219	--	--	385,632	--
Private Purpose Trust	--	--	--	--	--	--	--	--	47,532
External Investment Pools	--	--	--	--	--	--	--	--	2,835,120
Fund Balances Reserved by Board of Supervisors for a Future Purpose:									
Equipment Replacement	--	--	--	--	--	484	1,757	--	--
Equipment Purchase (New)	--	--	--	--	--	--	--	1,609	--
Administration Fees	--	--	--	--	--	--	--	5,770	--
Land Purchase	--	--	--	--	--	35,768	70	--	--
Operations	644	--	--	839	--	--	--	35,451	--
Future Road Projects	--	63,169	--	--	--	--	--	--	--
Capital Projects	--	--	--	--	--	95,962	12,328	--	--
General Reserves	--	--	--	--	--	12,609	7,004	14,320	--
Cash Difference Funds	9	--	--	--	--	--	--	--	--
Contingencies	18,000	--	2,017	--	--	--	--	10,650	--
Revitalization Projects	--	--	--	--	--	--	203	3,294	--
Operations - Strategic Priorities	71,587	--	--	--	--	--	--	--	--
Reserved Fund Balances/Net Assets	\$ 157,794	\$ 103,008	\$ 3,298	\$ 839	\$ 147,219	\$ 163,133	\$ 35,914	\$ 507,107	\$ 2,893,958

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 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 the Irvine Company donated the landfill, valued at \$1,400, to the County. Coyote Canyon is owned by the Irvine Company and is under lease.

The total landfill closure and postclosure care liability at June 30, 2005 was \$178,297, 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 (38.55%), 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 \$155,274 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in FY 2004-05 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, 2005, \$173,125 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, 2005, 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		
	Youth Leadership Academy	\$ 7,134
	Central Justice Center – Phase II – HVAC/ADA	8,184
	Subtotal	15,318
Roads		
	Foothill Circulation Phasing Plan	
	-Alton-Irvine Boulevard to Foothill Transportation Corridor	1,750
	Laguna Canyon Road	
	-State Route 73 to Interstate 405	18,721
	D Skyline Storm Drain	1,508
	Glassell Street Bridge Sidewalk	3,889
	Subtotal	25,868
Flood Control District		
	Fullerton Creek Knott to Beach	2,631
	Huntington Beach Channel:	
	- Indianapolis to Adams	4,974
	- Atlanta to Indianapolis	1,199
	Subtotal	8,804
Harbor, Beaches, and Parks		
	Laguna Coast Wilderness Park Interpretive Center	3,073
	Subtotal	3,073

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

<u>Project Title</u>	<u>Remaining Commitments</u>
<u>Governmental Activities (Continued):</u>	
Other Governmental Funds	
Sheriff-Coroner Maintenance/Repair Plan	\$ 1,646
Santa Ana Heights Redevelopment Sewer Improvements	2,733
800 MHz Countywide Coordinated Communications System	2,582
Vehicles for Transportation Internal Service Fund	1,168
Subtotal	<u>8,129</u>
<u>Business-type Activities:</u>	
Airport	
Rehabilitate Taxiway "E"	1,345
Subtotal	<u>1,345</u>
Integrated Waste Management	
Light Duty Vehicles/Heavy Equipment	1,075
Prima Zone 1 Phase B1/A2 & Distiller Basin	6,256
FRB-Phase 7A/B Gas Header Extension	4,038
FRB-Phase VIIA Construction	1,549
Subtotal	<u>12,918</u>
Total	<u>\$ 75,455</u>

In addition, the County is involved in The Santa Ana River (SAR) Mainstem Project. The SAR is a major flood control project implemented and funded by the Federal Government and three local sponsors – the Orange County Flood Control District (OCFCD), San Bernardino County Flood Control District, and Riverside County Flood Control and Water Conservation District. A component of the initial project has been re-designated as the Prado Dam Project, which is being implemented and funded by the Federal Government and the OCFCD only through a separate project cooperation agreement (PCA). The purpose of the SAR Mainstem/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 as to impacts to the population and property. The Project involves a combination of flood channel improvements and constructing new channels in Orange, San Bernardino and Riverside counties, construction of the 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.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

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, relocations (of roads, bridges, trails, and utilities), environmental mitigation, and cash contributions for construction. As of June 2005, the OCFCD has expended about \$311,000 on the Project. The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) 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/preservation projects are underway in all three counties. All property rights acquisition for the Seven Oaks Dam, and 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% 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 \$78,000 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% of the eligible expenditures can be paid, with the remaining 10% paid after an audit by the State Controller's Office. The County does not accrue these claim amounts as revenue due to the typical lengthy review and audit time periods after claim submission and uncertainty on the availability of funding for audits and reimbursements.

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 relocations and mitigation expenses that were not initially or fully contemplated in the COE's estimates. Therefore, reimbursements on past expenses through the 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.

15. SELF-INSURANCE (Continued)

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 Controller's Office for cost plan allocations.

The County has also established the Unemployment Insurance ISF, which covers all employees, and the County PPO 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 for calendar year 2004 was a maximum of \$2,000 for each covered employee or dependent. As of January 1, 2005, the calendar year 2005 health insurance coverage is \$1,000 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 2003-04	\$ 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
Claims and Changes in Estimates	28,001	17,672	56,341	102,014
Claim Payments	(26,782)	(8,722)	(59,833)	(95,337)
Unpaid Claims, End of FY 2004-05	<u>\$ 96,981</u>	<u>\$ 26,667</u>	<u>\$ 10,863</u>	<u>\$ 134,511</u>

15. SELF-INSURANCE (Continued)

Workers' Compensation legislation that passed in April 2004 has resulted in a leveling of overall costs. Initially this leveling has occurred through a reduction in medical expenses, which offset the slight increase in indemnity payments. The other cost saving measures included in that legislation have only just begun to make an impact, and are expected to be reflected in further cost reductions in the future.

16. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS

There are lawsuits and claims pending against the County which may 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.

In addition to the accrued liabilities for self-insurance claims incurred but not reported in Note 15, and other specific litigation and claims described herein, the County is also a defendant in numerous other lawsuits and claims arising from, among other things, breach of contract and tax disputes. The County is also subject to audits by federal and state agencies to determine if expenditures of grant monies received from these agencies are in compliance with the respective grant provisions. Although the aggregate amount asserted in such lawsuits, claims, or potential audit findings 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.

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 As the owner and operator of a number of active and former solid waste disposal 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 and landfills, even if the County no longer owns the site. IWMD has completed preliminary environmental site assessments for the former solid waste disposal sites. On the basis of information currently available to management, IWMD management believes it has sufficient reserves for known and anticipated remediation costs.

At some of these refuse disposal stations that the County no longer owns, methane gas has been detected on the property. The Local Enforcement Agency (LEA), the entity that regulates landfills, has directed the current 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. These cities are in the process of implementing the landfill gas mitigations required by the LEA. The cities 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; however, the costs 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 that the County no longer owns or operates with pending litigation, potential claims or regulatory actions against the County.

- *Coyote Canyon Landfill*, The Irvine Company – Pending Litigation
- *Sparkes Pit/Rains Disposal Station #18*, City of Anaheim – Potential 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

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

Barratt American Incorporated, et al. v. County of Orange (Orange County Superior Court Consolidated cases No. 814037 and 01CC04025) Plaintiff alleges the County overcharged for building permit and inspection fees from 1999 through 2001 (and continuing) and impermissibly accumulated a surplus in the Building and Safety special revenue fund. The fund is used to account for building and safety permit fees; much of which plaintiff alleges were subsequently spent on impermissible items. Plaintiff seeks a variety of forms of relief, including injunctive, declaratory and monetary damages.

The trial court ruled that the County failed to meet its burden of proof that \$4,500 of \$18,000 originally challenged by plaintiff was spent appropriately. The court ruled that the County reduce future building permit and plan check fees by that amount. The court awarded the plaintiff \$1,380 in attorney fees; and this award has been accrued as a liability in the government-wide financial statements. The judgment is now final and the County has filed a notice of appeal. The plaintiff has also appealed portions of the judgment.

On July 1, 2003, plaintiff filed a new complaint (Orange County Superior Court Case No. 03CC00235) against the County seeking various forms of relief regarding the building permit fee ordinance enacted by the Board of Supervisors in March 2003. Plaintiff's complaint was served in July 2003; the County has filed its answer and the trial date is set for February 27, 2006.

On October 1, 2004, plaintiff filed another complaint (Orange County Superior Court Case No. 04CC001664) against the County for declaratory relief, validation and Petition for Mandate challenging Orange County Ordinance 04-007, setting fees for building permits and plan reviews. The County denies the allegations and intends to defend itself in court against the complaint. The Court has set a trial date for February 27, 2006.

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 County prevailed upon demurrer at the trial court level. However, on November 6, 2002, the Court of Appeals reversed the trial court's ruling. The Court of Appeals held that the County is required to give notice under Revenue and Taxation Code section 1604(e) and 2635 to the class of taxpayers whose applications for reduction in assessment were not finally determined within two years as required by 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 court has approved the class settlement and a claims administrator has been retained to handle claims. The actual amount of the liability is not yet known, however, an estimated \$2,000 liability has been accrued in the financial statements. Attorneys' fees are unresolved at this time. Plaintiff's motion for attorneys' fees is scheduled to be heard on January 31, 2006.

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 the OCFA, of which the County is a party, the County agreed to indemnify OCFA for certain claims and liabilities arising prior to its 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.

Smith v. County of Orange, et al. (Orange County Superior Court Case No. 05CC00053) This action is a class action lawsuit filed by a few named foster children through their Guardian Ad Litem on behalf of the foster children and all those similarly situated and by certain foster parents on behalf of themselves and all those similarly situated. The action was filed on March 8, 2005 and the County was served with the Complaint on May 25, 2005. The Complaint alleges that certain foster children in the County have been assessed as developmentally disabled, and as a result are "dually aligned" or "dual agency" children, and thus are a recipient of the foster children program as well as a client for the State Regional Centers for the developmentally disabled. Plaintiffs further allege that as a result of the foster children being dually aligned, the rate of monetary support to be paid to the foster parent Plaintiffs is greater than the regular foster care monetary rate.

The Complaint alleges that the Foster Parent Plaintiffs have been receiving payments at a lower rate than they are entitled. The Complaint contains four different causes of action for underpayment, writ of mandate, declaratory and injunctive relief. The ultimate relief sought is to compel the payment of the difference in the rate for dually aligned children and the regular foster care monetary rate.

The County denies that it has any liability in this matter or that it breached any alleged duty. However, at this preliminary stage of litigation, the County is unable to estimate potential liability in this matter. The amount of such liability, if any, depends upon whether the Court determines the County breached a duty owing to the Plaintiffs, if the Court certifies the class, and if so, the number of potential class members. It also depends on whether the Court finds the foster children Plaintiffs have standing, whether the statute of limitations has run as to the foster parent Plaintiffs, and whether Plaintiffs need to exhaust their administrative remedies.

Butler v. County of Los Angeles, et al. (Los Angeles Superior Court Case No. BC329695) This is a class action lawsuit with the same charging allegations and theories of liability as the *Smith v. County of Orange* case detailed in the above paragraphs. However in this case, the foster children and their foster parents are seeking to have a defendant class certified as well as the Plaintiff class. Plaintiffs are seeking to have each of the 58 counties in California certified as the defendant class. The County of Orange, although named as a defendant, has not been formally served with the complaint in this matter.

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

Butler v. County of Los Angeles, et al. (Continued)

The County denies that it has any liability in this matter or that it breached any alleged duty. However, at this preliminary stage of litigation, the County is unable to estimate potential liability in this matter. The amount of such liability, if any, depends upon the same factors discussed above with respect to the *Smith v. County of Orange* action.

Medicare Investigation The County's Health Care Agency (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. 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.

HCA is currently engaged in ongoing settlement discussions with the federal government. 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.

17. RETIREMENT PLANS

Orange County Employees Retirement System (OCERS)

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

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS. Such annual contributions consist primarily of two components: the so-called "normal cost" contribution and the "unfunded actuarial accrued liability" (the "UAAL") contribution, to the extent an UAAL exists.

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

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

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

According to OCERS most recent public report dated December 31, 2004, entities paying into the OCERS include the County of Orange, Orange County Transportation Authority, Orange County Sanitation District, University of California, Irvine Medical Center, City of San Juan Capistrano, Transportation Corridor Agencies, Orange County Vector Control District, Orange County Department of Education, Orange County Cemetery District, Orange County Public Law Library, In-Home Supportive Service Public Authority, Orange County Fire Authority, City of Rancho Santa Margarita, Children and Families Commission of Orange County, OCERS, Orange County Local Agency Formation Commission and Orange County Superior Court. The County payments represent approximately 80% of the payments into OCERS.

OCERS provides for retirement, death, disability, and cost-of-living benefits. Under OCERS, each County employee receives a defined-benefit pension at retirement, that is, a specific amount per month determined in accordance with the Retirement Law, which amount is not dependent upon the amount of money credited to the employee's account at the time of retirement. The OCERS Board does not set the benefit amounts. OCERS administers benefits that are set by the County Board of Supervisors through the collective bargaining process with County employees in accordance with the Retirement Law.

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 employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. Employer contributions are based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variation in who pays the contributions. OCERS' responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2004-05, employer's contributions, as a percentage of covered payrolls, were 12.62% for General members, 39.39% for Safety-Law Enforcement members and 12.75% for Safety-Probation members.

Employee contributions for Tier I members is based on the member's age at entry in OCERS and is calculated to provide an annual annuity equal to 2% of the member's "final compensation" for each year of service rendered at age 57 for General members. For Tier II General members, the rate of contribution is calculated to provide an annual annuity equal to 1.6667% of the member's "final compensation" for each year of service rendered at age 57.5. In the 1997 Ventura decision of the Southern California Supreme Court, the Court stated that for the purpose of calculating pension benefits, "final compensation" can mean not only base salaries, but also other components (such as overtime and extra pay categories). Orange County employee contributions under current contracts are calculated only on base salary, which excludes other additional items of compensation.

Effective June 28, 2002, for Tier I and II Safety members, the rate of contribution is calculated to provide an annuity equal to 3% 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 earn benefits under a 2% at 50 formula for service after that date. On or after June 10, 2005, Probation Service employees will earn benefits under a 3% at 50 benefits formula.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Funding Policy (Continued)

Effective July 1, 2005, as part of collective bargaining agreements with County employees, most General Members who work for the County of Orange (approximately 13,000) became Plan I (formally Tier I) members and Plan J (formally Tier II) members. The benefit formula beginning July 1, 2005 is 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General Members, which expire in June 2007, the unions agreed that current employees will pay the costs of the difference between retirement benefits at the prior formulas and the new 2.7% at age 55 formula. However, members of the American Federation of State, County and Municipal Employees (approx. 860 employees) did not receive the 2.7% at age 55 retirement formula and remain at the current benefit formulas. Refer to Note 19 (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.

Actuarial Valuation and Funding Methodology Actuarially, based on OCERS' assumptions, OCERS currently has an UAAL. The UAAL for OCERS is an estimate based on a series of assumptions that operate on demographic data of OCERS' membership. This process is necessary to determine, as of the date of the calculation, how sufficient the assets in OCERS are to fund the accrued costs attributable to active, vested terminated and retired employees. This determination of underfunding rests on actuarial assumptions regarding expected return on invested assets, the assumed future pay increases for current employees, assumed rates of disability, the assumed retirement ages of active employees, the assumed marital status at retirement, the post-employment life expectancies of retirees and beneficiaries, salary increases, contributions to OCERS, inflation, and other factors. The UAAL is paid by all participating agencies, including the County, and amortized, over a period of years (as described below). The County previously funded a portion of the UAAL attributable to the County with the proceeds of taxable pension obligation bonds. For further information regarding the pension obligation bonds, refer to the "Actuarial and Funding Status" section on the next page and Note 9, Long-Term Obligations.

When measuring assets for determining the UAAL, many pension plans, including OCERS, "smooth" market value gains and losses to reduce volatility. If in the period for which an actuarial valuation is prepared the actual investment return on OCERS' assets is lower or higher than the actuarial assumed rate of return, then 20% of the shortfall or excess is recognized in each of the succeeding fiscal years, resulting in the smoothing or spreading of that shortfall or excess over a five-year period. The impact of this will result in "smoothed" assets which are lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss.

December 31, 2004 Actuarial Valuation In 2004, OCERS retained the Segal Company as its actuary to complete an actuarial valuation of OCERS (the "Segal Valuation") as of December 31, 2004. OCERS' prior actuarial valuation, as of December 31, 2003, was completed on July 16, 2004 by Towers Perrin and determined the UAAL to be \$1,309,000. The Segal Valuation calculated the UAAL as of December 31, 2004 to be \$2,340,000. The Segal Valuation determined that the ratio of the valuation assets to actuarial accrued liabilities decreased from 78.5% as of December 31, 2003 to 69.1% as of December 31, 2004. The Segal Valuation estimated that the UAAL and funding ratio, without the changes in actuarial assumptions, procedures and methodologies used in their valuation, would have been \$1,761,000 and 74.9%, respectively.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

December 31, 2004 Actuarial Valuation (Continued)

The average aggregate employer contribution rate for the County in the Segal Valuation increased from 18.9% of payroll beginning July 1, 2005 to 30.3% beginning July 1, 2006, and employee rates, some of which are contributed by the County under existing bargaining agreements also increased. Employer and employee rates are expressed as a percentage of payroll. The \$1,031,000 increase in the UAAL was attributable to a number of factors including the following:

- Differences between the Segal Valuation and the prior actuary's valuation system and procedures
- Changes in assumptions, including salary scale, withdrawal and retirement assumptions, based upon the December 31, 2004 triennial experience study of the County
- Benefit changes including the adoption of a 2.7% at 55 formula for the County, Orange County Superior Court and Orange County Fire Authority general members; 2.5% at 55 for the Orange County Sanitation District; and 3% at 50 for the County's safety officers

On October 24, 2005, the OCERS Board met to consider the Segal Valuation and the recommendations of OCERS Chief Executive Officer, including a phased approach to rate adjustments over three years, commencing FY 2006-07. The Segal recommendations were adopted and the County will be given the option to phase in increased contribution requirements over a three year period beginning in FY 2005-06. Under the phase-in plan, if applied by the County, the employer contribution rate will increase by 16.9% in FY 2006-07. If the phase-in plan is not adopted by the County, the employer contribution rate will increase by 44% in FY 2006-07.

Actuarial and Funding Status The table below presents OCERS actual investment returns for the past five years. Average returns for OCERS over the past ten years have been 10.8% per year.

**Orange County Employees Retirement System
Historical Investment Returns
(Market Value)**

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
3.28%	(3.22%)	(5.46%)	19.84%	11.40%

Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2004

OCERS is funded pursuant to the Projected Unit Credit funding method. Among the actuarial assumptions currently used in valuing the plan are that future earnings will be 7.5%, and this same rate is used to discount future values. Actuarial losses are funded and actuarial gains credited over fixed 15 year periods. Any liability or surplus due to benefit or assumption changes is funded over 30 years. However, any liability or surplus due to a benefit change adopted after April 22, 2005 will be amortized over a fixed 15 year period. Actuarial assumptions are subject to change.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial and Funding Status (Continued)

The table below shows the changes in OCERS net plan assets for the past three calendar years. The County contributions represent approximately 80% of total employer contributions.

**Orange County Employees Retirement System
 Contributions**

	Years Ended December 31		
	2002	2003	2004
Contributions Received:			
Employer Contributions	\$ 13,289	\$ 124,243	\$ 194,430
Employee Contributions	77,917	81,581	81,931
Net Investment Gains (Losses)	(270,654)	788,036	568,027
Net Securities Lending Income and Other Income	1,466	1,050	973
Participant Benefits	(181,549)	(210,273)	(230,684)
Withdrawals and Refunds	(4,482)	(6,412)	(7,845)
Administrative Expenses	(8,279)	(8,848)	(9,463)
Increases (Decreases) in Plan Net Assets	<u>\$ (372,292)</u>	<u>\$ 769,377</u>	<u>\$ 597,369</u>

Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2004

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial and Funding Status (Continued)

The table below shows the present value of retirement benefits, the actuarial value of assets available for retirement benefits, and two indicators of funding progress for OCERS, the funding ratio and the ratio of UAAL to annual payroll. As of December 31, 2004, OCERS' actuarial valuation of assets still reflected the deferral of approximately \$156,000 in net gains due to the recognition of gains and losses on an actuarial basis over a five-year "smoothing" period. Approximately 80% of the OCERS unfunded liability is allocable to the County.

**Orange County Employee's Retirement System
Schedule of Funding Progress for Years Ended December 31**

Actuarial Valuation as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded or (Overfunded) AAL ⁽¹⁾	Funded Ratio ⁽²⁾	Covered Payroll ⁽³⁾	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ⁽⁴⁾
2000	\$ 4,497,326	\$ 4,335,025	\$ (162,301)	103.74%	\$ 994,669	(16.32%)
2001	4,586,844	4,843,899	257,055	94.69%	1,122,763	22.89%
2002	4,695,675	5,673,754	978,079	82.76%	1,242,348	78.73%
2003	4,790,099	6,099,433	1,309,334	78.53%	1,243,964	105.25%
2004 ⁽⁵⁾	5,245,821	7,589,690	2,340,869	69.15%	1,257,085	186.21%

- ⁽¹⁾ Commonly referred to as UAAL - Actuarial value of assets minus actuarial accrued liability (positive numbers represent an actuarial surplus)
- ⁽²⁾ Actuarial value of assets divided by actuarial accrued liability
- ⁽³⁾ Annual payroll against which UAAL amortized
- ⁽⁴⁾ UAAL divided by covered payroll
- ⁽⁵⁾ Effective with the 2004 plan year, the actuarial valuation of plan assets was changed to a 5-year smoothing methodology based on market value rather than a rolling 5-year modified book value

Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2004

In September 1994, the County issued \$320,000 of pension obligation bonds, of which \$318,000 in proceeds were paid to OCERS. For accounting purposes, OCERS maintains the proceeds in a County Investment Account. Amounts in the County Investment Account have been used to fund a portion of the County's contributions over time, pursuant to agreements between OCERS and the County, which allows the County significant discretion in applying the credit. As of June 30, 2005, \$152,475 of such proceeds remain available for future credits to the County's pension obligations.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial and Funding Status (Continued)

The table below shows the County’s required contributions and the percentage contributed for the current fiscal year and each of the two prior fiscal years.

**Orange County Employees’ Retirement System
 County Contributions**

<u>Year Ended</u>	<u>County Cash Contribution</u>	<u>OCERS Investment Account Contribution</u>	<u>Total Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/03	\$ 59,801	\$ 37,804	\$ 97,605	100%
06/30/04	114,847	33,309	148,156	100%
06/30/05	175,119	7,158	182,277	100%

County Administered Pension Plans

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, which included 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, 2005, the plan has 735 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, 2005, were \$1,163 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, 2005, the value of plan assets was \$4,453.

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 Defined Contribution Plan replaced the Defined Benefit Retirement Plan and was effective for new employees hired on or after March 1, 2002.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

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 final 30 years of credited service. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th birthday. The County Board of Supervisors has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan.

The plan was closed to new participants as of February 28, 2002. As of June 30, 2005, the plan consists of 236 active plan participants, 574 terminated plan participants entitled to but not yet receiving benefits, and 18 retirees receiving benefits.

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, the County has contributed \$342. The annual required contribution is equal to:

- Normal cost
- Minus employer and employee contribution
- Plus 30-year amortization of the UAAL

The County charges a benefits administration fee to County agencies, which funds the cost of administering all of the County benefit programs, including the Extra Help Defined Benefit Retirement Plan. The 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. The plan's annual pension cost was calculated using the data and assets as of June 30, 2004.

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, and (c) plus 30-year amortization of the unfunded actuarial liability. Based on the actuarial report dated July 1, 2005, interest on the net pension obligation is \$42.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Defined Benefit Retirement Plan (Continued)

Annual Pension Cost (Continued)

For the fiscal year ended June 30, 2005, the County's annual required contribution was \$342. The required contribution was determined as part of the July 2004 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%
06/30/05	4,387	7,329****	2,942	59.9%	6,112	48.1%

*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%

****June 30, 2005 Actuarial Accrued Liability based on June 30, 2004 valuation results rolled forward one year

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Defined Benefit Retirement Plan (Continued)

Annual Pension Cost (Continued)

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

	06/30/03	06/30/04	06/30/05
Annual required contribution	\$ 277	\$ 336	\$ 342
Interest on net pension obligation	9	24	42
Adjustment to annual required contribution	(11)	(30)	(53)
Annual pension cost	275	330	331
Contributions made	--	--	(342)
Increase/Decrease in net pension obligation	275	330	(11)
Net pension obligation, beginning of year	166	441	771
Net pension obligation, end of year	<u>\$ 441</u>	<u>\$ 771</u>	<u>\$ 760</u>

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
2000	\$ 22	0%	\$ 28
2001	73	0%	101
2002	65	0%	166
2003	277	0%	441
2004	336	0%	771
2005	342	100%	760

Extra Help Defined Contribution Plan

Plan Description On March 1, 2002, the County adopted a Defined Contribution 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, 2005 there were 1,568 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.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra Help Defined Contribution Plan

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., 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, 2005 were \$747 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.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered pension trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2005:

	<u>Total</u>	<u>Extra Help Defined Benefit Retirement Plan</u>	<u>Extra Help Defined Contribution Plan</u>	<u>401(a) Defined Contribution Plan</u>
<u>Statement of Net Assets</u>				
Pooled Cash/Investments	\$ 4,361	\$ 4,361	\$ --	\$ --
Restricted Cash and Investments with Trustee	6,158	--	1,704	4,454
Receivables:				
Interest/Dividends	27	27	--	--
Due from Other Governmental Agencies	760	760	--	--
Total Net Assets Held in Trust	<u>\$ 11,306</u>	<u>\$ 5,148</u>	<u>\$ 1,704</u>	<u>\$ 4,454</u>

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Condensed Financial Statements (Continued)

	<u>Total</u>	<u>Extra Help Defined Benefit Retirement Plan</u>	<u>Extra Help Defined Contribution Plan</u>	<u>401(a) Defined Contribution Plan</u>
<u>Statement of Changes in Net Assets</u>				
Additions:				
Contributions to Pension Trust:				
Employer	\$ 342	\$ 342	\$ --	\$ --
Employee	2,311	400	747	1,164
Interest and Investment Income	361	109	54	198
Less: Investment Expense	(4)	(4)	--	--
Total Additions	<u>3,010</u>	<u>847</u>	<u>801</u>	<u>1,362</u>
Deductions:				
Benefits Paid to Participants	387	57	240	90
Refunds of Prior Contributions	970	970	--	--
Total Deductions	<u>1,357</u>	<u>1,027</u>	<u>240</u>	<u>90</u>
Change in Net Assets Held in Trust For:				
Employee's Retirement	1,653	(180)	561	1,272
Net Assets Held in Trust at July 1, 2004	<u>9,653</u>	<u>5,328</u>	<u>1,143</u>	<u>3,182</u>
Net Assets Held in Trust at June 30, 2005	<u>\$ 11,306</u>	<u>\$ 5,148</u>	<u>\$ 1,704</u>	<u>\$ 4,454</u>

18. POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description On August 1, 1993, the County Board of Supervisors approved the County of Orange Retiree Medical Plan (the "Medical Plan") to assist career employees in maintaining health insurance coverage following retirement from County service.

Under the Medical Plan, eligible retired County employees receive a monthly grant (the "grant"), which helps offset the cost of County sponsored medical plan premiums and can also be applied towards Medicare premiums. The grant amount is determined by a formula which multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2005 is \$15.67 (in absolute dollars), and the maximum monthly grant is \$391.75 (absolute dollars). The base number is adjusted annually based on a formula defined in the Medical Plan document, which limits increases or decreases to a maximum of 5%.

18. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Plan Description (Continued)

In order for an employee to be eligible for the grant upon retirement, an employee must be at least 50 years old, completed at least 10 years of service (exceptions exist for disabled persons), be enrolled in a County sponsored health plan, and be able to receive a monthly benefit payment from OCERS. The grant is applied towards the retiree health plan premiums and can also be applied towards Medicare premiums payable by the retiree for themselves and their dependents. The retiree is responsible for any premiums exceeding the grant. Any grant amount that exceeds the retiree health plan and Medicare premiums is forfeited to the Medical Plan. Surviving dependents of a deceased employee or retiree eligible for the grant are entitled to receive 50% of the grant.

In addition to the grant, the Medical Plan provides a lump sum severance benefit payment to terminated employees not eligible for the grant. The lump sum benefit payment is equal to 1% of the employee's final three-year average hourly pay, multiplied by the employee's qualifying hours of service since the Medical Plan's effective date.

Funding Policy To date, the County has paid Medical Plan liabilities on a "pay-as-you-go" basis, and has not established a permanent funding (reserve) policy for the Medical Plan. Funds used to pay the FY 2004-05 Medical Plan benefits are derived from two sources: *first*, employee contributions described below, and *second*, certain funds set aside in OCERS. The source of the funds within OCERS is certain investment earnings that exceeded the assumed actuarial rate of return. Due to several years where the OCERS' assets have earned less than the assumed actuarial rate of return, excess reserves have been depleted. A fund at OCERS was created, the Retiree Member Benefit Reserve (RMBR), that set aside interim funding of the Medical Plan and is being used for that purpose. According to OCERS, excess reserves are not expected to be available for payment of Medical Plan benefits for the foreseeable future.

In August 2004, the County and OCERS approved an amended Additional Retiree Benefit Account (ARBA) agreement which, among other things, revised the funding of the Medical Plan in cases when excess reserves from OCERS are not available. Under the ARBA 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 its OCERS contributions to the lesser of the amount required to bring RMBR to a two year funding level or one percent of General Fund payroll. Since RMBR is not currently funded at the two year level, the County will begin paying 1% of payroll to OCERS beginning July 1, 2005. Current projections indicate that current funding sources will fall short of meeting long term funding requirements. For FY 2004-05, the Plan contributed \$15,824 in Retiree Medical Grants for retiree health premium costs.

As part of County agreements with employees and bargaining units, employees contribute 1% of their salary towards retiree health care costs. Currently, 0.75% of the 1% employee payment is used to pay grants.

Actuarial Valuation In November 2005, the County received an actuarial valuation for Post Employment Health Care Benefits (the "Report") from an outside consultant, Bartel Associates, LLC. The purpose of the Report was to determine the Medical Plan benefit obligations as of June 30, 2005 pursuant to GASB Statement No. 45 and to calculate the County FY 2005-06 Medical Plan cost as if GASB Statement No. 45 were effective and adopted for FY 2005-06. The County is required to report in conformity with GASB Statement No. 45 beginning with the fiscal year ending June 30, 2008. See Note 1.P for more information on GASB Statement No. 45.

18. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Valuation (Continued)

The actuarial cost method used in the Report is the Entry Age Normal (EAN) cost method. Under the EAN cost report method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. The Actuarial Accrued Liability (AAL) is the cumulative value, on the valuation date, of prior Normal Costs. For retirees, the AAL is the present value of all projected benefits. The unfunded AAL is amortized over 30 years as a level percent of payroll. This is consistent with GASB Statement No. 45. As of June 30, 2005, the Report's total estimated actuarial liability is approximately \$1,418,692, which, due to the current "pay-as-you-go" funding, is virtually all unfunded.

Based on the Report, retiree medical benefit liabilities are as follows:

	Number	Actuarial Liability for Past Service	
Current Retirees	5,720	\$	475,971
Active Employees	18,269		942,721
Total	23,989	\$	1,418,692

	Severance Benefit	Retiree Medical Grant	Total
Actuarial Liability for Past Service	\$ 434	\$ 1,418,258	\$ 1,418,692
Plan Assets	--	--	--
Unfunded Liability for Past Service	\$ 434	\$ 1,418,258	\$ 1,418,692

The County intends to implement GASB Statement No. 45 for its FY 2007-08 financial statements, which is the required implementation effective date in accordance with the standard. However, if the County were to implement GASB Statement No. 45 for FY 2005-06, the Annual Required Contribution (ARC) determined by the Report, which includes the employer normal cost plus a 30-year amortization of the unfunded actuarial accrued liability, would be as follows:

	Severance Benefit	Retiree Medical Grant	Total
Employer Normal Cost	\$ (1,430)	\$ 77,112	\$ 75,682
Unfunded Actuarial Accrued Liability Amortization	15	49,969	49,984
Annual Required Contribution	\$ (1,415)	\$ 127,081	\$ 125,666

- As level percent of pay over 30 years.

Based upon projections in the Report, the projected costs for Medical Plan benefits (the grants and the lump sum severance payments) are estimated to be \$137,311 for FY 2006-07. Annual costs are expected to substantially increase in future years to an estimated \$170,426 in FY 2011-12 and \$210,057 in FY 2016-17.

18. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

County Plans for the Future For the immediate future, the County intends to fund the Medical Plan on a “pay-as-you-go” basis. The County is currently studying funding and plan design options, eligibility requirements, as well as wellness, consumer education and other programs designed to control medical premium costs. Certain changes with respect to the Medical Plan may be subject to meet and confer process with employee bargaining units. Current Memoranda of Understanding with bargaining units run through FY 2007-08 and do not include re-openers for Medical Plan negotiations. The County is unable to represent that to the extent Medical Plan design changes are desired, and to the extent such changes require bargaining, that bargaining units will agree to such changes.

19. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2005:

Bankruptcy Debt Refinancing

Background As of August 18, 2005, the County has successfully completed a refunding and restructuring of the \$763,200 of bankruptcy related debt. The bankruptcy debt consisted of the Recovery Refunding Bonds - the 1995 Series A (Recovery Bonds) and the 1996 Recovery Certificates of Participation (Recovery COPs), which were both obligations of the County General Fund. The Recovery Bonds were paid with intercepted Motor Vehicle License Fees. The Recovery COPs were paid through diverted revenue sources through 2016 and directly from the General Fund from 2017 through 2026. The outstanding principal as of July 1, 2005 was \$210,705 of Recovery Bonds and \$552,455 of Recovery COPs. The final maturities for the Recovery Bonds and Recovery COPs were June 1, 2015 and July 1, 2026, respectively.

Lease Revenue Refunding Bonds Series 2005 On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its \$419,755 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds), the proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the Recovery COPs, were used to defease certain non-callable Recovery COPs, refund the remaining COPs, fund a debt service reserve fund for the Series 2005 Bonds, and pay costs of issuance of the Series 2005 Bonds. The result was to shorten the final maturity to 2017 (paid entirely by the Series 2005 Bonds Reserve Fund) with debt services payments from the General Fund ceasing after 2016 when the diverted revenue sources expire. This will eliminate the General Fund obligation of approximately \$41,000 of annual debt service payments from 2017 through 2026.

The Series 2005 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 August 1, 2005, between the OCPFA and the County, and other amounts held by the trustee in the funds and accounts established under the indenture (other than the rebate fund), except as otherwise provided in the indenture.

Refunding Recovery Bonds 2005 Series A On August 18, 2005, the County issued its \$146,005 Refunding Recovery Bonds 2005 Series A (2005 Recovery Bonds), the proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the Recovery Bonds, were used to refund and defease the outstanding Recovery Bonds and pay costs of issuance for the 2005 Recovery Bonds. The refunding results in approximately \$4,700 annual net savings to the General Fund through 2015.

19. SUBSEQUENT EVENTS (Continued)

Bankruptcy Debt Refinancing (Continued)

Refunding Recovery Bonds 2005 Series A (Continued)

The County utilized \$116,200 accumulated in the Debt Prepayment Fund, existing funds held by the trustees for the Recovery Bonds and Recovery COPs and the proceeds of the 2005 Recovery Bonds and Series 2005 Bonds to refund and defease the Recovery Bonds and Recovery COPs. The intent of the refinancing was to reduce the interest rates on the debt and shorten the maturity of the Recovery COPs. The refinancing results in a total gross debt service savings of \$505,300. The outstanding principal amounts of the Recovery Bonds are \$146,005 for the 2005 Recovery Bonds and \$419,755 for the Series 2005 Bonds, which reduced the County's bankruptcy related debt to \$565,760.

Vehicle License Fee (VLF) Gap Loan Repayment

The FY 2003-04 State of California Budget Act and related legislation required the State to repay the VLF "gap" loan to local governments no later than August 15, 2006. The FY 2005-06 Budget Act included an accelerated repayment schedule and on July 26, 2005, the County received a \$26,506 repayment from the State. The repayment resulted in additional resources to the County that had not been included in the FY 2005-06 budget.

Receipt of SB-90 Claim Payment

On September 14, 2005 the County received payments in the amount of \$10,000 for partial reimbursement of FY 2004-05 state-mandated program costs. Some of the claimed costs were based on estimates and may be adjusted downward by as much as \$2,000. Recommendations for the use of these unanticipated funds will be made to the Board of Supervisors in a future quarterly budget report.

Unanticipated General Fund Balance Available (FBA)

The recommended FY 2005-06 County General Fund budget adopted on June 28, 2005 included an estimated \$105,000 June 30, 2005 FBA. Actual FBA was \$166,800 due to improvements in property tax revenue, interest revenue and favorable variances in departmental revenues and expenses. Recommendations for the use of the unanticipated FBA were made to the Board of Supervisors in the FY 2005-06 First Quarter Budget Report. Most of the additional funds were placed into reserves.

New Benefit Formulas Effective July 1, 2005 As part of collective bargaining agreements with County employees, most General Members who work for the County will become Plan I (formally Tier I) members and Plan J (formally Tier II) members. The benefit formula beginning July 1, 2005 will be 2.7% of the member's "final compensation" for each year of service rendered at age 55. Refer to Note 17, Retirement Plans, for additional information.

Retirement Contribution Prepayment On June 28, 2005, the Board of Supervisors approved the prepayment of 50% of the County's FY 2005-06 OCERS cash contribution. \$87,700 was paid to OCERS from the General Fund on July 13, 2005 and represents a \$3,300 discount from the contribution which would have been paid by the County if payment was made in installments throughout the fiscal year. The remaining \$91,000 contribution will be paid to OCERS during FY 2005-06.

19. SUBSEQUENT EVENTS (Continued)

Possible Changes to Local Agency Funding Requirement of Retirement Benefits A statewide taxpayers' association is circulating a ballot measure, which if presented to the voters and approved, would prohibit the State and local agencies from enrolling new employees in a defined benefit plan, like OCERS. Those employees would be enrolled in what are referred to as defined contribution plans for which an employer, such as the County, would be making annual payments during an employee's active service, which could be supplemented by employee contributions. Further, there would be annual limits on the contributions made by employers, such as the County. If approved by voters, this ballot measure would not apply to existing employees.

A constitutional amendment has been proposed in the legislature imposing on the State and local agencies similar prohibitions and limitations. No prediction can be made as to whether any of these proposals will become effective or, if adopted and implemented, what impact they would have upon local agencies like the County.



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 FUND - DEBT SERVICE
FOR THE YEAR ENDED JUNE 30, 2005
(In Thousands)

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Refunding Bonds & Recovery								
Certificates of Participation								
and Debt Prepayment								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,700	\$ --	\$ 1,700	\$ 4,376	\$ 2,676		
Intergovernmental Revenues		28,344	--	28,344	28,344	--		
Transfers In		--	18,385	18,385	18,486	101		
Total Revenues and Other Financing Sources		<u>30,044</u>	<u>18,385</u>	<u>48,429</u>	<u>51,206</u>	<u>2,777</u>		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Debt Prepayment Fund	\$ --	94,046	22,135	116,181	2,538	113,643	\$ --	\$ 113,643
Refunding Recovery Bonds	--	60,354	(63)	60,291	30,250	30,041	--	30,041
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>154,400</u>	<u>22,072</u>	<u>176,472</u>	<u>32,788</u>	<u>143,684</u>	<u>\$ --</u>	<u>\$ 143,684</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(124,356)	(3,687)	(128,043)	18,418	<u>\$ 146,461</u>		
Fund Balances - Budgeted Fund - Beginning of Year	--	97,135	--	97,135	128,043			
Fund Balances - Non-Budgeted Fund Beginning of Year	--	--	--	--	116,256			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	680			
Cancellation of Reserves/Designations	--	27,221	--	27,221	--			
Provisions for Reserves and/or Designations	--	--	3,687	3,687	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 263,397</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, 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, Housing and Community Development, Substance Abuse Treatment, 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 and fund balance available transferred from the General Fund, to be utilized for essential operating requirements 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.

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 for Section 8 Rental Assistance Program expenditures. This program assists low-income families to obtain decent, safe and sanitary housing through a system of rental subsidies.

Other Governmental Resources

This group of funds is used to account for 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, and to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

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.

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
 For the Year Ended June 30, 2005

**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS**

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
ASSETS					
Pooled Cash/Investments	\$ 578,505	\$ 1,696	\$ 11,585	\$ 1,958	\$ 590
Imprest Cash Funds	13	--	--	--	--
Restricted Cash and Investments with Trustee	376,162	--	--	--	--
Investments	5,655	--	--	--	--
Receivables					
Accounts	1,629	16	--	--	1
Taxes	15,599	--	--	14	--
Interest/Dividends	1,252	4	17	3	4
Deposits	--	--	--	--	--
Loans	8	--	--	--	--
Allowance for Uncollectible Receivables	(7)	(2)	--	--	--
Due from Other Funds	40,936	63	2,693	--	--
Due from Other Governmental Agencies	8,587	110	--	--	34
Inventory of Materials and Supplies	400	--	--	--	--
Prepaid Costs	911	--	--	--	--
Land and Improvements Held for Resale	1,255	--	--	--	--
Notes Receivable	23,802	--	9,480	--	1,822
Total Assets	<u>\$ 1,054,707</u>	<u>\$ 1,887</u>	<u>\$ 23,775</u>	<u>\$ 1,975</u>	<u>\$ 2,451</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 6,947	\$ 145	\$ 2	\$ 5	\$ 9
Salaries and Employee Benefits Payable	2,129	12	--	--	--
Deposits from Others	8,957	--	--	--	--
Due to Other Funds	25,304	18	83	15	8
Due to Other Governmental Agencies	13,743	79	--	--	--
Deferred Revenue	16,610	--	--	6	1,855
Total Liabilities	<u>73,690</u>	<u>254</u>	<u>85</u>	<u>26</u>	<u>1,872</u>
Fund Balances					
Reserved					
Operations	35,451	--	--	--	--
Debt Service	385,632	--	--	--	--
Contingencies	10,650	--	--	--	--
Loans	8	--	--	--	--
Administration Fees	5,770	--	--	--	--
Prepaid Costs	911	--	--	--	--
Inventory of Materials and Supplies	400	--	--	--	--
Equipment Purchase	1,609	--	--	--	--
Land and Improvements Held for Resale	1,255	--	--	--	--
Revitalization Projects	3,294	--	--	--	--
Imprest Cash Funds	13	--	--	--	--
Long Term Receivable	32,660	--	9,480	--	--
General Reserve	14,320	--	14,143	93	--
Encumbrances	15,134	35	67	19	87
Unreserved, Reported in:					
Special Revenue Funds	242,172	1,598	--	1,837	492
Debt Service Funds	6,695	--	--	--	--
Capital Projects Funds	225,030	--	--	--	--
Permanent Fund	13	--	--	--	--
Total Fund Balances	<u>981,017</u>	<u>1,633</u>	<u>23,690</u>	<u>1,949</u>	<u>579</u>
Total Liabilities and Fund Balances	<u>\$ 1,054,707</u>	<u>\$ 1,887</u>	<u>\$ 23,775</u>	<u>\$ 1,975</u>	<u>\$ 2,451</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			
\$ 177,095	\$ 51,488	\$ 25,878	\$ 3,191	\$ 5,027		ASSETS
5	8	--	--	--		Pooled Cash/Investments
222	105	--	--	--		Imprest Cash Funds
--	--	--	--	--		Restricted Cash and Investments with Trustee
						Investments
958	120	--	--	--		Receivables
--	--	--	--	--		Accounts
247	162	--	4	7		Taxes
--	--	--	--	--		Interest/Dividends
8	--	--	--	--		Deposits
(4)	--	--	--	--		Loans
22,480	698	110	--	--		Allowance for Uncollectible Receivables
3,614	3,971	--	--	--		Due from Other Funds
400	--	--	--	--		Due from Other Governmental Agencies
--	--	--	--	--		Inventory of Materials and Supplies
--	--	--	--	--		Prepaid Costs
--	145	--	--	--		Land and Improvements Held for Resale
--	2,620	--	--	--		Notes Receivable
<u>\$ 205,025</u>	<u>\$ 59,317</u>	<u>\$ 25,988</u>	<u>\$ 3,195</u>	<u>\$ 5,034</u>		Total Assets
						LIABILITIES AND FUND BALANCES
\$ 403	\$ 1,735	\$ --	\$ --	\$ --		Liabilities
734	512	--	--	--		Accounts Payable
7,617	302	--	--	--		Salaries and Employee Benefits Payable
4,803	10,713	4,950	--	--		Deposits from Others
2,234	5,356	--	--	--		Due to Other Funds
6,701	2,556	--	--	--		Due to Other Governmental Agencies
<u>22,492</u>	<u>21,174</u>	<u>4,950</u>	<u>--</u>	<u>--</u>		Deferred Revenue
						Total Liabilities
						Fund Balances
						Reserved
26,251	9,200	--	--	--		Operations
--	--	--	--	--		Debt Service
--	--	--	--	--		Contingencies
8	--	--	--	--		Loans
--	--	--	--	1,149		Administration Fees
--	--	--	--	--		Prepaid Costs
400	--	--	--	--		Inventory of Materials and Supplies
--	--	--	--	--		Equipment Purchase
--	145	--	--	--		Land and Improvements Held for Resale
--	--	--	--	--		Revitalization Projects
5	8	--	--	--		Imprest Cash Funds
--	2,620	110	--	--		Long Term Receivable
--	--	--	--	--		General Reserve
3,640	3,350	--	--	--		Encumbrances
						Unreserved, Reported in:
152,229	22,820	20,928	3,195	3,885		Special Revenue Funds
--	--	--	--	--		Debt Service Funds
--	--	--	--	--		Capital Projects Funds
--	--	--	--	--		Permanent Fund
<u>182,533</u>	<u>38,143</u>	<u>21,038</u>	<u>3,195</u>	<u>5,034</u>		Total Fund Balances
<u>\$ 205,025</u>	<u>\$ 59,317</u>	<u>\$ 25,988</u>	<u>\$ 3,195</u>	<u>\$ 5,034</u>		Total Liabilities and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue			
	Plan of Adjustment Available Cash	Deferred Compensation Reimbursement	Orange County Housing Authority	Other Governmental Resources
ASSETS				
Pooled Cash/Investments	\$ 31	\$ 2,115	\$ 13,195	\$ 26,927
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	3,739	--
Investments	--	--	--	--
Receivables				
Accounts	--	--	533	--
Taxes	--	--	--	--
Interest/Dividends	--	3	19	30
Deposits	--	--	--	--
Loans	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	8,398	--	--	270
Due from Other Governmental Agencies	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Notes Receivable	--	--	8,556	--
Total Assets	<u>\$ 8,429</u>	<u>\$ 2,118</u>	<u>\$ 26,042</u>	<u>\$ 27,227</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ --	\$ 43	\$ 854	\$ 18
Salaries and Employee Benefits Payable	--	--	783	88
Deposits from Others	--	--	856	--
Due to Other Funds	--	--	65	80
Due to Other Governmental Agencies	--	--	2,249	--
Deferred Revenue	--	--	218	--
Total Liabilities	<u>--</u>	<u>43</u>	<u>5,025</u>	<u>186</u>
Fund Balances				
Reserved				
Operations	--	--	--	--
Debt Service	--	--	--	--
Contingencies	--	--	--	8,500
Loans	--	--	--	--
Administration Fees	--	--	4,621	--
Prepaid Costs	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--
Equipment Purchase	--	--	--	1,609
Land and Improvements Held for Resale	--	--	--	--
Revitalization Projects	--	--	--	--
Imprest Cash Funds	--	--	--	--
Long Term Receivable	--	--	8,556	--
General Reserve	--	--	--	--
Encumbrances	--	60	5	23
Unreserved, Reported in:				
Special Revenue Funds	8,429	2,015	7,835	16,909
Debt Service Funds	--	--	--	--
Capital Projects Funds	--	--	--	--
Permanent Fund	--	--	--	--
Total Fund Balances	<u>8,429</u>	<u>2,075</u>	<u>21,017</u>	<u>27,041</u>
Total Liabilities and Fund Balances	<u>\$ 8,429</u>	<u>\$ 2,118</u>	<u>\$ 26,042</u>	<u>\$ 27,227</u>

Supplemental Information
(Dollar Amounts in Thousands)

Redevelopment Agency Bonds	Debt Service			
	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	Orange County Special Financing Authority	Orange County Public Financing Authority
\$ 26,444	\$ --	\$ 365	\$ 1,602	\$ --
--	--	--	--	--
3,073	3,668	227,912	128,503	8,829
--	--	--	--	--
--	--	--	--	--
463	--	--	15,122	--
36	--	--	364	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	911	--
--	--	--	--	--
<u>\$ 30,016</u>	<u>\$ 3,668</u>	<u>\$ 228,277</u>	<u>\$ 146,502</u>	<u>\$ 8,829</u>

ASSETS

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

LIABILITIES AND FUND BALANCES

Liabilities
Accounts Payable
Salaries and Employee Benefits Payable
Deposits from Others
Due to Other Funds
Due to Other Governmental Agencies
Deferred Revenue
Total Liabilities
Fund Balances
Reserved
Operations
Debt Service
Contingencies
Loans
Administration Fees
Prepaid Costs
Inventory of Materials and Supplies
Equipment Purchase
Land and Improvements Held for Resale
Revitalization Projects
Imprest Cash Funds
Long Term Receivable
General Reserve
Encumbrances
Unreserved, Reported in:
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Fund
Total Fund Balances
Total Liabilities and Fund Balances

\$ --	\$ --	\$ --	\$ 49	\$ --
--	--	--	--	--
--	--	--	--	--
4,342	--	4	--	--
3,825	--	--	--	--
712	--	--	4,553	--
<u>8,879</u>	<u>--</u>	<u>4</u>	<u>4,602</u>	<u>--</u>
--	--	--	--	--
21,137	3,668	228,273	123,725	8,829
--	--	--	--	--
--	--	--	--	--
--	--	--	911	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	10,569	--
--	--	--	--	--
--	--	--	--	--
--	--	--	6,695	--
--	--	--	--	--
--	--	--	--	--
<u>21,137</u>	<u>3,668</u>	<u>228,273</u>	<u>141,900</u>	<u>8,829</u>
<u>\$ 30,016</u>	<u>\$ 3,668</u>	<u>\$ 228,277</u>	<u>\$ 146,502</u>	<u>\$ 8,829</u>

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Capital Projects			Permanent Fund
	Criminal Justice Facilities	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Regional Park Endowment
ASSETS				
Pooled Cash/Investments	\$ 29,180	\$ 33,950	\$ 165,934	\$ 254
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	111	--
Investments	--	--	5,655	--
Receivables				
Accounts	--	1	--	--
Taxes	--	--	--	--
Interest/Dividends	43	49	260	--
Deposits	--	--	--	--
Loans	--	--	--	--
Allowance for Uncollectible Receivables	--	(1)	--	--
Due from Other Funds	2,295	3,929	--	--
Due from Other Governmental Agencies	858	--	--	--
Inventory of Materials and Supplies	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	1,110	--	--
Notes Receivable	--	1,324	--	--
Total Assets	<u>\$ 32,376</u>	<u>\$ 40,362</u>	<u>\$ 171,960</u>	<u>\$ 254</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 635	\$ 15	\$ 3,034	\$ --
Salaries and Employee Benefits Payable	--	--	--	--
Deposits from Others	--	25	--	157
Due to Other Funds	9	132	82	--
Due to Other Governmental Agencies	--	--	--	--
Deferred Revenue	9	--	--	--
Total Liabilities	<u>653</u>	<u>172</u>	<u>3,116</u>	<u>157</u>
Fund Balances				
Reserved				
Operations	--	--	--	--
Debt Service	--	--	--	--
Contingencies	--	--	2,150	--
Loans	--	--	--	--
Administration Fees	--	--	--	--
Prepaid Costs	--	--	--	--
Inventory of Materials and Supplies	--	--	--	--
Equipment Purchase	--	--	--	--
Land and Improvements Held for Resale	--	1,110	--	--
Revitalization Projects	--	3,294	--	--
Imprest Cash Funds	--	--	--	--
Long Term Receivable	--	1,325	--	--
General Reserve	--	--	--	84
Encumbrances	4,922	2,926	--	--
Unreserved, Reported in:				
Special Revenue Funds	--	--	--	--
Debt Service Funds	--	--	--	--
Capital Projects Funds	26,801	31,535	166,694	--
Permanent Fund	--	--	--	13
Total Fund Balances	<u>31,723</u>	<u>40,190</u>	<u>168,844</u>	<u>97</u>
Total Liabilities and Fund Balances	<u>\$ 32,376</u>	<u>\$ 40,362</u>	<u>\$ 171,960</u>	<u>\$ 254</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

**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
Revenues					
Taxes	\$ 24,133	\$ --	\$ --	\$ 386	\$ --
Licenses, Permits, and Franchises	10,723	27	--	--	--
Fines, Forfeitures and Penalties	29,087	--	--	--	6
Use of Money and Property	52,198	6,791	310	49	316
Intergovernmental	159,770	1,193	--	5	138
Charges for Services	20,793	254	--	22	89
Contributions from Property Owners	65,955	--	--	--	--
Other	12,830	9	110	1	1,704
Total Revenues	375,489	8,274	420	463	2,253
Expenditures					
Current					
General Government	29,991	--	--	--	189
Public Protection	30,483	--	--	--	186
Public Ways and Facilities	5,436	5,436	--	--	--
Health and Sanitation	2,922	--	--	--	--
Public Assistance	122,084	--	487	--	--
Recreation and Cultural Services	182	--	--	181	1
Capital Outlay	47,778	--	--	215	--
Debt Service					
Principal Retirement	15,438	--	--	--	--
Interest	12,442	--	--	--	--
Total Expenditures	266,756	5,436	487	396	376
Excess (Deficit) of Revenues Over Expenditures	108,733	2,838	(67)	67	1,877
Other Financing Sources (Uses)					
Transfers In	68,042	1,800	4,055	--	--
Transfers Out	(56,883)	(4,109)	(1,577)	(156)	(2,029)
Net Change in Fund Balances	119,892	529	2,411	(89)	(152)
Fund Balances - Beginning of Year	861,125	1,104	21,279	2,038	731
Fund Balances - End of Year	\$ 981,017	\$ 1,633	\$ 23,690	\$ 1,949	\$ 579

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
10,312	384	--	--	--	Taxes
8,837	5,950	--	--	--	Licenses, Permits, and Franchises
6,169	1,303	483	75	118	Fines, Forfeitures and Penalties
18,003	21,715	--	--	--	Use of Money and Property
18,105	2,323	--	--	--	Intergovernmental
--	--	--	--	--	Charges for Services
7,041	699	--	--	--	Contributions from Property Owners
<u>68,467</u>	<u>32,374</u>	<u>483</u>	<u>75</u>	<u>118</u>	Other
					Total Revenues
--	--	14	3	4	Expenditures
30,297	--	--	--	--	Current
--	--	--	--	--	General Government
--	2,922	--	--	--	Public Protection
--	20,082	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
3,682	460	--	--	--	Public Assistance
					Recreation and Cultural Services
--	491	--	--	--	Capital Outlay
--	62	--	--	--	Debt Service
<u>33,979</u>	<u>24,017</u>	<u>14</u>	<u>3</u>	<u>4</u>	Principal Retirement
					Interest
34,488	8,357	469	72	114	Total Expenditures
					Excess (Deficit) of Revenues
23,348	225	4,610	--	--	Over Expenditures
<u>(9,501)</u>	<u>(10,855)</u>	<u>(5,433)</u>	<u>--</u>	<u>--</u>	Other Financing Sources (Uses)
					Transfers In
48,335	(2,273)	(354)	72	114	Transfers Out
					Net Change in Fund Balances
134,198	40,416	21,392	3,123	4,920	Fund Balances - Beginning of Year
<u>\$ 182,533</u>	<u>\$ 38,143</u>	<u>\$ 21,038</u>	<u>\$ 3,195</u>	<u>\$ 5,034</u>	Fund Balances - End of Year

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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	Other Governmental Resources
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	--	--	--	--
Use of Money and Property	16	119	527	447
Intergovernmental	--	--	99,266	19,129
Charges for Services	--	--	--	--
Contributions from Property Owners	--	--	--	--
Other	--	--	2,026	6
Total Revenues	<u>16</u>	<u>119</u>	<u>101,819</u>	<u>19,582</u>
Expenditures				
Current				
General Government	5,305	217	--	2,549
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	101,515	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	--	103
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Total Expenditures	<u>5,305</u>	<u>217</u>	<u>101,515</u>	<u>2,652</u>
Excess (Deficit) of Revenues Over Expenditures	(5,289)	(98)	304	16,930
Other Financing Sources (Uses)				
Transfers In	9,301	--	--	1,542
Transfers Out	--	(5,000)	(103)	(78)
Net Change in Fund Balances	4,012	(5,098)	201	18,394
Fund Balances - Beginning of Year	4,417	7,173	20,816	8,647
Fund Balances - End of Year	<u>\$ 8,429</u>	<u>\$ 2,075</u>	<u>\$ 21,017</u>	<u>\$ 27,041</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	
\$ 23,747	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
14	--	--	6,488	--	Licenses, Permits, and Franchises
693	465	23,224	3,211	2,010	Fines, Forfeitures and Penalties
292	--	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental
--	--	--	--	--	Charges for Services
--	--	--	--	--	Contributions from Property Owners
30	--	--	--	--	Other
<u>24,776</u>	<u>465</u>	<u>23,224</u>	<u>9,699</u>	<u>2,010</u>	Total Revenues
					Expenditures
10,366	--	51	6,163	--	Current
--	--	--	--	--	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	--	--	--	--	Public Assistance
--	--	--	--	--	Recreation and Cultural Services
--	--	--	--	--	Capital Outlay
2,257	2,520	5,000	--	5,170	Debt Service
3,246	85	3,174	2,128	3,747	Principal Retirement
<u>15,869</u>	<u>2,605</u>	<u>8,225</u>	<u>8,291</u>	<u>8,917</u>	Interest
					Total Expenditures
8,907	(2,140)	14,999	1,408	(6,907)	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
1,577	2,487	7,769	--	6,900	Transfers In
(5,505)	--	(9,153)	--	--	Transfers Out
					Net Change in Fund Balances
4,979	347	13,615	1,408	(7)	
16,158	3,321	214,658	140,492	8,836	Fund Balances - Beginning of Year
<u>\$ 21,137</u>	<u>\$ 3,668</u>	<u>\$ 228,273</u>	<u>\$ 141,900</u>	<u>\$ 8,829</u>	Fund Balances - End of Year

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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	Regional Park Endowment
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	7,792	--	--	--
Use of Money and Property	1,290	880	3,697	5
Intergovernmental	29	--	--	--
Charges for Services	--	--	--	--
Contributions from Property Owners	--	--	65,955	--
Other	18	1,150	35	1
Total Revenues	<u>9,129</u>	<u>2,030</u>	<u>69,687</u>	<u>6</u>
Expenditures				
Current				
General Government	--	--	5,130	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	7,854	4,265	31,199	--
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Total Expenditures	<u>7,854</u>	<u>4,265</u>	<u>36,329</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	1,275	(2,235)	33,358	6
Other Financing Sources (Uses)				
Transfers In	2,966	1,450	12	--
Transfers Out	(3,384)	--	--	--
Net Change in Fund Balances	857	(785)	33,370	6
Fund Balances - Beginning of Year	30,866	40,975	135,474	91
Fund Balances - End of Year	<u>\$ 31,723</u>	<u>\$ 40,190</u>	<u>\$ 168,844</u>	<u>\$ 97</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2004						Budget	Adjustments
Parking Facilities								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 2,422	\$ --	\$ 2,422	\$ 2,488	\$ 66		
Charges for Services		243	--	243	254	11		
Other Revenues		11	--	11	9	(2)		
Transfers In		1,800	--	1,800	1,800	--		
Total Revenues and Other Financing Sources		4,476	--	4,476	4,551	75		
Expenditures/Encumbrances and Other Financing Uses								
Public Ways and Facilities:								
Parking Facilities	\$ 28	5,068	158	5,254	3,573	1,681	\$ 29	\$ 1,652
Total Expenditures/Encumbrances and Other Financing Uses	28	5,068	158	5,254	3,573	1,681	\$ 29	\$ 1,652
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(28)	(592)	(158)	(778)	978	\$ 1,756		
Fund Balances - Budgeted Fund - Beginning of Year	--	592	--	592	780			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	324			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(449)			
Cancellation of Reserves/Designations	--	--	--	--	(29)			
Fund Balance Reserved for Encumbrances	28	--	--	28	29			
Provisions for Reserves and/or Designations	--	--	158	158	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 1,633			
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 300	\$ --	\$ 300	\$ 310	\$ 10		
Other Revenues		--	--	--	110	110		
Transfers In		3,300	--	3,300	4,055	755		
Total Revenues and Other Financing Sources		3,600	--	3,600	4,475	875		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 108	12,027	2,493	14,628	2,064	12,564	\$ 67	\$ 12,497
Total Expenditures/Encumbrances and Other Financing Uses	108	12,027	2,493	14,628	2,064	12,564	\$ 67	\$ 12,497
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(108)	(8,427)	(2,493)	(11,028)	2,411	\$ 13,439		
Fund Balances - Beginning of Year	--	10,785	--	10,785	21,279			
Cancellation of Reserves/Designations	--	--	--	--	(9,547)			
Fund Balance Reserved for Encumbrances	108	--	--	108	67			
Provisions for Reserves and/or Designations	--	(2,358)	2,493	135	9,480			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 23,690			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2004						Budget	Adjustments
Service Areas, Lighting and Maintenance Districts								
Revenues								
Taxes		\$ 343	\$ (32)	\$ 311	\$ 386	\$ 75		
Use of Money and Property		22	--	22	49	27		
Intergovernmental Revenues		400	--	400	5	(395)		
Charges for Services		22	--	22	22	--		
Other Revenues		1	--	1	1	--		
Total Revenues		<u>788</u>	<u>(32)</u>	<u>756</u>	<u>463</u>	<u>(293)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Recreation and Cultural Services:								
North Tustin Landscaping and Lighting Assessment District	\$ 68	2,592	(31)	2,629	514	2,115	\$ 15	\$ 2,100
County Service Area No. 13 - La Mirada	--	9	--	9	3	6	--	6
County Service Area No. 20 - La Habra	--	13	--	13	--	13	--	13
County Service Area No. 22 - East Yorba Linda	3	45	4	52	35	17	4	13
Total Expenditures/Encumbrances and Other Financing Uses	<u>71</u>	<u>2,659</u>	<u>(27)</u>	<u>2,703</u>	<u>552</u>	<u>2,151</u>	<u>\$ 19</u>	<u>\$ 2,132</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(71)	(1,871)	(5)	(1,947)	(89)	<u>\$ 1,858</u>		
Fund Balances - Beginning of Year	--	26	--	26	2,038			
Cancellation of Reserves/Designations	--	1,851	--	1,851	(112)			
Fund Balance Reserved for Encumbrances	71	--	--	71	19			
Provisions for Reserves and/or Designations	--	(6)	5	(1)	93			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,949</u>			

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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

	Open	Original	Mid-Year	Final	Actual Revenues	Variance	Variance	
	Encumbrances						Budget	Adjustments
	July 1, 2004				on Budgetary Basis	(Negative)	June 30, 2005	Appropriations
Other Environmental Management								
Revenues								
Fines, Forfeitures and Penalties		\$ 15	\$ --	\$ 15	\$ 6	\$ (9)		
Use of Money and Property		291	--	291	316	25		
Intergovernmental Revenues		200	--	200	138	(62)		
Charges for Services		77	--	77	89	12		
Other Revenues		2,251	--	2,251	1,704	(547)		
Total Revenues		<u>2,834</u>	<u>--</u>	<u>2,834</u>	<u>2,253</u>	<u>(581)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Real Estate Development Program	\$ 69	2,527	(3)	2,593	2,011	582	\$ 62	\$ 520
Air Quality Improvement	--	400	66	466	49	417	25	392
Public Protection:								
Fish and Game Propagation	--	19	70	89	80	9	--	9
Survey Monument Preservation	--	196	54	250	174	76	--	76
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	120	10	130	91	39	--	39
Total Expenditures/Encumbrances and Other Financing Uses	69	<u>3,262</u>	<u>197</u>	<u>3,528</u>	<u>2,405</u>	<u>1,123</u>	<u>\$ 87</u>	<u>\$ 1,036</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(69)	(428)	(197)	(694)	(152)	<u>\$ 542</u>		
Fund Balances - Beginning of Year	--	428	--	428	731			
Cancellation of Reserves/Designations	--	--	--	--	(87)			
Fund Balance Reserved for Encumbrances	69	--	--	69	87			
Provisions for Reserves and/or Designations	--	--	197	197	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 579</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Other Public Protection								
Revenues and Other								
Financing Sources								
Licenses, Permits, and Franchises		\$ 8,486	\$ (39)	\$ 8,447	\$ 10,312	\$ 1,865		
Fines, Forfeitures and Penalties		2,240	1,650	3,890	3,683	(207)		
Use of Money and Property		4,457	5	4,462	6,156	1,694		
Intergovernmental Revenues		11,742	4,629	16,371	18,003	1,632		
Charges for Services		4,490	14,036	18,526	18,105	(421)		
Other Revenues		8,167	452	8,619	7,041	(1,578)		
Transfers In		8,233	1,723	9,956	23,348	13,392		
Total Revenues and Other Financing Sources		<u>47,815</u>	<u>22,456</u>	<u>70,271</u>	<u>86,648</u>	<u>16,377</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Protection:								
Orange County Pro-Active								
Methamphetamine Laboratory								
Investigation Team	\$ --	1,189	(42)	1,147	1,146	1	\$ --	\$ 1
County Automated Fingerprint								
Identification	20	812	116	948	899	49	5	44
Building and Safety	672	11,874	473	13,019	11,926	1,093	508	585
Narcotic Forfeiture and Seizure	--	909	88	997	239	758	5	753
Sheriff-Regional Narcotics								
Suppression Program	18	2,739	251	3,008	2,995	13	13	--
Motor Vehicle Theft Task Force	2	2,872	155	3,029	2,153	876	4	872
Clerk Recorder Special Revenue	--	--	600	600	90	510	--	510
Proposition 64 - Consumer Protection	--	--	905	905	--	905	--	905
Proposition 69 - DNA Identification	--	--	750	750	--	750	--	750
Traffic Violator	--	1,825	(33)	1,792	494	1,298	--	1,298
Childrens' Waiting Room	--	630	21	651	228	423	--	423
Sheriff Narcotics Program	8	886	102	996	167	829	2	827
Orange County Jail	--	1,637	159	1,796	1,271	525	--	525
Sheriff's State Criminal Alien								
Assistance Program	--	10,349	4,972	15,321	4,724	10,597	--	10,597
County Public Safety Sales Tax								
Excess Revenues	--	55,734	19,570	75,304	230	75,074	--	75,074
California Automated Fingerprint								
Identification Operational Costs	--	1,289	1	1,290	1	1,289	--	1,289
California Automated Fingerprint								
Identification Systems Costs	--	9,690	54	9,744	24	9,720	29	9,691
Sheriff's Supplemental Law								
Enforcement Services	--	1,036	(1)	1,035	169	866	--	866
District Attorney's Supplemental								
Law Enforcement Services	--	876	6	882	871	11	--	11
Local Law Enforcement Block Grant								
Sheriff-Coroner Replacement	--	89	(11)	78	31	47	--	47
and Maintenance								
Ward Welfare	--	3,479	447	3,926	591	3,335	--	3,335
Court Facilities	--	66	52	118	67	51	2	49
Sheriff's Substations Fee Program	176	2,394	269	2,839	525	2,314	292	2,022
Jail Commissary	83	6,953	2	7,038	3	7,035	83	6,952
Inmate Welfare	92	6,167	443	6,702	5,452	1,250	10	1,240
800 MHz County-Wide Coordinated	159	8,267	967	9,393	4,180	5,213	105	5,108
Communications System	9	6,929	6,267	13,205	3,460	9,745	2,582	7,163
Delta Special Revenue	--	51	6	57	3	54	--	54
Total Expenditures/Encumbrances and Other Financing Uses	<u>1,239</u>	<u>138,742</u>	<u>36,589</u>	<u>176,570</u>	<u>41,939</u>	<u>134,631</u>	<u>\$ 3,640</u>	<u>\$ 130,991</u>
Excess (Deficit) of Revenues and Other Financing Uses								
Over Expenditures/Encumbrances and Other Financing Uses	(1,239)	(90,927)	(14,133)	(106,299)	44,709	\$ 151,008		
Fund Balances - Budgeted Fund -								
Beginning of Year	--	90,927	--	90,927	134,198			
Net Increase in Fund Balances -								
Non-Budgeted Fund	--	--	--	--	3,626			
Cancellation of Reserves/Designations	--	--	--	--	(30,296)			
Fund Balance Reserved for Encumbrances	1,239	--	--	1,239	3,640			
Provisions for Reserves and/or Designations	--	--	14,133	14,133	26,656			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 182,533</u>			

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Community, Health and Welfare Services								
Revenues and Other Financing Sources								
Licenses, Permits, and Franchises		\$ --	\$ 520	\$ 520	\$ 384	\$ (136)		
Fines, Forfeitures and Penalties		--	7,319	7,319	5,950	(1,369)		
Use of Money and Property		639	30	669	1,303	634		
Intergovernmental Revenues		66,775	1,310	68,085	21,715	(46,370)		
Charges for Services		2,647	1,967	4,614	2,323	(2,291)		
Other Revenues		1,797	1,319	3,116	699	(2,417)		
Transfers In		433	109	542	225	(317)		
Total Revenues and Other Financing Sources		<u>72,291</u>	<u>12,574</u>	<u>84,865</u>	<u>32,599</u>	<u>(52,266)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Health and Sanitation:								
Health Care Agency Realignment	\$ --	--	--	--	103	(103)	\$ --	\$ --
Public Assistance:								
Dispute Resolution Program	--	--	858	858	269	589	--	589
Domestic Violence Program	--	--	634	634	333	301	--	301
Community Social Programs	--	81	1	82	75	7	--	7
Facilities Development and Maintenance								
Workforce Investment Act	541	7,801	1,946	10,288	612	9,676	23	9,653
County Executive Office - Single Family Housing	3,276	15,753	(2,312)	16,717	10,846	5,871	1,626	4,245
Housing and Community Development	--	3,338	(1,469)	1,869	9	1,860	--	1,860
Strategic Priority Affordable Housing	1,895	41,087	1,636	44,618	9,070	35,548	1,696	33,852
In-Home Support Services	--	3,254	1,557	4,811	173	4,638	--	4,638
Public Authority	1	837	177	1,015	487	528	6	522
Health and Sanitation: Medi-Cal Administrative Activities								
Targeted Case Management	--	10,918	3,707	14,625	3,646	10,979	--	10,979
Emergency Medical Services	--	--	8,265	8,265	6,646	1,619	--	1,619
HCA Purpose Restricted Revenues	--	634	6,333	6,967	2,594	4,373	--	4,373
HCA Interest Bearing Purpose Restricted Revenue	--	--	10	10	9	1	--	1
Total Expenditures/Encumbrances and Other Financing Uses	<u>5,713</u>	<u>83,703</u>	<u>21,343</u>	<u>110,759</u>	<u>34,872</u>	<u>75,887</u>	<u>\$ 3,351</u>	<u>\$ 72,639</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	(5,713)	(11,412)	(8,769)	(25,894)	(2,273)	<u>\$ 23,621</u>		
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	11,412	--	11,412	40,416			
Fund Balance Reserved for Encumbrances	--	--	--	--	(12,703)			
Provisions for Reserves and/or Designations	5,713	--	--	5,713	3,351			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 8,769</u>	<u>\$ 8,769</u>	<u>\$ 9,352</u>			
					<u>\$ 38,143</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Designated Special								
Revenue								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 4,560	\$ 36	\$ 4,596	\$ 483	\$ (4,113)		
Transfers In		--	--	--	4,610	4,610		
Total Revenues and Other Financing Sources		<u>4,560</u>	<u>36</u>	<u>4,596</u>	<u>5,093</u>	<u>497</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Designated Special								
Revenue	\$ --	26,619	(631)	25,988	5,447	20,541	\$ --	\$ 20,541
Total Expenditures/Encumbrances and Other Financing Uses	--	26,619	(631)	25,988	5,447	20,541	<u>\$ --</u>	<u>\$ 20,541</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(22,059)	667	(21,392)	(354)	<u>\$ 21,038</u>		
Fund Balances - Beginning of Year	--	22,059	--	22,059	21,392			
Cancellation of Reserves/Designations	--	--	--	--	(110)			
Provisions for Reserves and/or Designations	--	--	(667)	(667)	110			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 21,038</u>			

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2004						Budget	Adjustments
Recovery Certificates of Participation								
Revenues								
Use of Money and Property		\$ 40	\$ --	\$ 40	\$ 75	\$ 35		
Total Revenues		<u>40</u>	<u>--</u>	<u>40</u>	<u>75</u>	<u>35</u>		
Expenditures/Encumbrances								
General Government:								
1996 Recovery Certificates of								
Participation, Series A								
Total Expenditures/Encumbrances	\$ --	3,149	18	3,167	3	3,164	\$ --	\$ 3,164
Excess (Deficit) of Revenues	--	3,149	18	3,167	3	3,164	--	3,164
Over Expenditures/Encumbrances	--	(3,109)	(18)	(3,127)	72	<u>3,199</u>		
Fund Balances - Beginning of Year	--	3,109	--	3,109	3,123			
Provisions for Reserves and/or Designations	--	--	18	18	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,195</u>			
Schedule 1 County-Administered Accounts								
Revenues								
Use of Money and Property		\$ 70	\$ --	\$ 70	\$ 118	\$ 48		
Total Revenues		<u>70</u>	<u>--</u>	<u>70</u>	<u>118</u>	<u>48</u>		
Expenditures/Encumbrances								
General Government:								
Litigation Reserve - Escrow								
AG FTCI	\$ --	186	--	186	--	186	\$ --	\$ 186
Indemnification Reserve	--	2	--	2	1	1	--	1
Litigation Reserve	--	3,633	23	3,656	3	3,653	--	3,653
Total Expenditures/Encumbrances	--	3,821	23	3,844	4	3,840	--	3,840
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(3,751)	(23)	(3,774)	114	<u>3,888</u>		
Fund Balances - Beginning of Year	--	3,770	--	3,770	4,920			
Cancellation of Reserves/Designations	--	--	--	--	(1,149)			
Provisions for Reserves and/or Designations	--	(19)	23	4	1,149			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,034</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Plan of Adjustment								
Available Cash								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 11	\$ --	\$ 11	\$ 16	\$ 5		
Transfers In		3,582	2,722	6,304	9,301	2,997		
Total Revenues and Other Financing Sources		3,593	2,722	6,315	9,317	3,002		
Expenditures/Encumbrances								
General Government:								
Option B Pool Participants' Registered Warrants	\$ --	918	--	918	904	14	\$ --	\$ 14
Class B-27 Registered Warrants	--	102	--	102	--	102	--	102
Recovery Plan of Adjustment Available Cash	--	6,360	3,353	9,713	4,401	5,312	--	5,312
Total Expenditures/Encumbrances	--	7,380	3,353	10,733	5,305	5,428	--	5,428
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	--	(3,787)	(631)	(4,418)	4,012	\$ 8,430		
Fund Balances - Beginning of Year	--	3,787	--	3,787	4,417			
Provisions for Reserves and/or Designations	--	--	631	631	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 8,429			
Deferred Compensation Reimbursement								
Revenues								
Use of Money and Property		\$ 102	\$ --	\$ 102	\$ 119	\$ 17		
Total Revenues		102	--	102	119	17		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Deferred Compensation Reimbursement	\$ 61	7,235	(11)	7,285	5,217	2,068	\$ 60	\$ 2,008
Total Expenditures/Encumbrances and Other Financing Uses	61	7,235	(11)	7,285	5,217	2,068	\$ 60	\$ 2,008
Excess (Deficit) of Revenues and Other Financing Uses								
Over Expenditures/Encumbrances and Other Financing Uses	(61)	(7,133)	11	(7,183)	(5,098)	\$ 2,085		
Fund Balances - Beginning of Year	--	7,133	--	7,133	7,173			
Cancellation of Reserves/Designations	--	--	--	--	(60)			
Fund Balance Reserved for Encumbrances	61	--	--	61	60			
Provisions for Reserves and/or Designations	--	--	(11)	(11)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 2,075			

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Orange County								
Housing Authority								
Revenues								
Use of Money and Property		\$ 377	\$ --	\$ 377	\$ 521	\$ 144		
Other Revenues		--	--	--	27	27		
Total Revenues		<u>377</u>	<u>--</u>	<u>377</u>	<u>548</u>	<u>171</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 21	6,048	490	6,559	1,174	5,385	\$ 5	\$ 5,380
Total Expenditures/Encumbrances and Other Financing Uses	<u>21</u>	<u>6,048</u>	<u>490</u>	<u>6,559</u>	<u>1,174</u>	<u>5,385</u>	<u>\$ 5</u>	<u>\$ 5,380</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(21)	(5,671)	(490)	(6,182)	(626)	<u>\$ 5,556</u>		
Fund Balances - Beginning of Year	--	5,381	--	5,381	19,672			
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--	1,144			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	827			
Cancellation of Prior Year Cancellation Reserves/Designations	--	290	--	290	(13,182)			
Fund Balance Reserved for Encumbrances	21	--	--	21	5			
Provisions for Reserves and/or Designations	--	--	490	490	13,177			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 21,017</u>			
Other Governmental Resources								
Revenues								
Use of Money and Property		\$ 376	\$ --	\$ 376	\$ 447	\$ 71		
Intergovernmental Revenues		3,491	--	3,491	19,129	15,638		
Other Revenues		7	--	7	6	(1)		
Transfers In		200	--	200	1,542	1,342		
Total Revenues and Other Financing Sources		<u>4,074</u>	<u>--</u>	<u>4,074</u>	<u>21,124</u>	<u>17,050</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Remittance Processing								
Equipment Replacement	\$ 10	154	(6)	158	8	150	\$ 3	\$ 147
Property Tax Administration	--	6,559	357	6,916	2,632	4,284	20	4,264
State Grant	--	3,937	7	3,944	90	3,854	--	3,854
Revenue Neutrality Trust	--	--	--	--	--	--	--	--
Total Expenditures/Encumbrances and Other Financing Uses	<u>10</u>	<u>10,650</u>	<u>358</u>	<u>11,018</u>	<u>2,730</u>	<u>8,288</u>	<u>\$ 23</u>	<u>\$ 8,265</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(10)	(6,576)	(358)	(6,944)	18,394	<u>\$ 25,338</u>		
Fund Balances - Beginning of Year	--	15,272	--	15,272	8,647			
Cancellation of Reserves/Designations	--	--	--	--	(10,132)			
Fund Balance Reserved for Encumbrances	10	--	--	10	23			
Provisions for Reserves and/or Designations	--	(8,696)	358	(8,338)	10,109			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 27,041</u>			



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Redevelopment Agency Bonds								
Revenues and Other								
Financing Sources								
Taxes		\$ 19,596	\$ --	\$ 19,596	\$ 23,747	\$ 4,151		
Fines, Forfeitures and Penalties		--	--	--	14	14		
Use of Money and Property		400	--	400	693	293		
Intergovernmental Revenues		247	--	247	292	45		
Other Revenues		--	--	--	30	30		
Transfers In		1,605	--	1,605	1,577	(28)		
Total Revenues and Other Financing Sources		<u>21,848</u>	<u>--</u>	<u>21,848</u>	<u>26,353</u>	<u>4,505</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Development								
Agency Debt Service -								
Santa Ana Heights	\$ --	13,087	--	13,087	9,654	3,433	\$ --	\$ 3,433
Orange County Development								
Agency - Neighborhood								
Development and Preservation								
Project, Debt Service	--	12,263	1,181	13,444	11,720	1,724	--	1,724
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>25,350</u>	<u>1,181</u>	<u>26,531</u>	<u>21,374</u>	<u>5,157</u>	<u>\$ --</u>	<u>\$ 5,157</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(3,502)	(1,181)	(4,683)	4,979	<u>\$ 9,662</u>		
Fund Balances - Beginning of Year	--	6,977	--	6,977	16,158			
Cancellation of Reserves/Designations	--	8,595	--	8,595	(11,265)			
Provisions for Reserves and/or Designations	--	(12,070)	1,181	(10,889)	11,265			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 21,137</u>			
Public Facilities Corporation								
Bonds, Master Lease								
Fund Balances - Non-Budgeted Funds -								
Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ 3,321			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	347			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,668</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Pension Obligation Bonds								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 2,000	\$ 2,300	\$ 4,300	\$ 23,224	\$ 18,924		
Transfers In		6,940	--	6,940	7,769	829		
Total Revenues and Other Financing Sources		8,940	2,300	11,240	30,993	19,753		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	15,375	2,299	17,674	17,378	296	\$ --	\$ 296
Total Expenditures/Encumbrances and Other Financing Uses	--	15,375	2,299	17,674	17,378	296	--	296
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(6,435)	1	(6,434)	13,615	\$ 20,049		
Fund Balances - Beginning of Year	--	8,163	--	8,163	214,658			
Cancellation of Reserves/Designations	--	--	--	--	(151,918)			
Provisions for Reserves and/or Designations	--	(1,728)	(1)	(1,729)	151,918			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 228,273			
Orange County Special Financing Authority								
Revenues								
Fines, Forfeitures and Penalties		\$ 42,500	\$ --	\$ 42,500	\$ 6,488	\$ (36,012)		
Use of Money and Property		3,200	--	3,200	3,211	11		
Total Revenues		45,700	--	45,700	9,699	(36,001)		
Expenditures/Encumbrances								
General Government:								
Orange County Special								
Financing Authority	\$ --	73,265	--	73,265	8,291	64,974	\$ --	\$ 64,974
Total Expenditures/Encumbrances	--	73,265	--	73,265	8,291	64,974	--	64,974
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	(27,565)	--	(27,565)	1,408	\$ 28,973		
Fund Balances - Beginning of Year	--	7,261	--	7,261	140,492			
Cancellation of Reserves/Designations	--	20,304	--	20,304	(100,842)			
Provisions for Reserves and/or Designations	--	--	--	--	100,842			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 141,900			
Orange County Public Financing Authority								
Fund Balances - Non-Budgeted Fund - Beginning of Year	\$ --	\$ --	\$ --	\$ --	\$ 8,836			
Net Increase in Fund Balances - Non-Budgeted Fund	--	--	--	--	(7)			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 8,829			

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

**BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS**

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2004						Budget	Adjustments
Criminal Justice Facilities								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ 6,000	\$ 3	\$ 6,003	\$ 7,792	\$ 1,789		
Use of Money and Property		805	--	805	1,290	485		
Intergovernmental Revenues		--	--	--	29	29		
Other Revenues		--	15	15	18	3		
Transfers In		3,269	4,808	8,077	2,966	(5,111)		
Total Revenues and Other Financing Sources		<u>10,074</u>	<u>4,826</u>	<u>14,900</u>	<u>12,095</u>	<u>(2,805)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$ 2,756	8,300	(70)	10,986	5,921	5,065	\$ 1,052	\$ 4,013
Courthouse Temporary Construction	--	3,008	646	3,654	3,654	--	--	--
Sheriff-Coroner Construction and Facility Development	1,787	21,053	5,032	27,872	386	27,486	3,675	23,811
Theo Lacy Jail Construction	1,173	2,034	55	3,262	1,277	1,985	196	1,789
Total Expenditures/Encumbrances and Other Financing Uses	<u>5,716</u>	<u>34,395</u>	<u>5,663</u>	<u>45,774</u>	<u>11,238</u>	<u>34,536</u>	<u>\$ 4,923</u>	<u>\$ 29,613</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(5,716)	(24,321)	(837)	(30,874)	857	<u>\$ 31,731</u>		
Fund Balances - Beginning of Year	--	23,389	--	23,389	30,866			
Cancellation of Reserves/Designations	--	932	--	932	(4,923)			
Fund Balance Reserved for Encumbrances	5,716	--	--	5,716	4,923			
Provisions for Reserves and/or Designations	--	--	837	837	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 31,723</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,058	\$ --	\$ 1,058	\$ 880	\$ (178)		
Intergovernmental Revenues		900	--	900	--	(900)		
Other Revenues		500	--	500	1,150	650		
Transfers In		1,100	--	1,100	1,450	350		
Total Revenues and Other Financing Sources		<u>3,558</u>	<u>--</u>	<u>3,558</u>	<u>3,480</u>	<u>(78)</u>		
Expenditures/Encumbrances								
General Government:								
Orange County Development								
Agency - Santa Ana Heights								
1993 Bond Issue	\$ 2,831	14,674	(600)	16,905	3,261	13,644	\$ 2,816	\$ 10,828
Orange County Development								
Agency - Santa Ana Heights								
1993 Bond Issue Low/Moderate								
Income Housing	--	156	5	161	10	151	--	151
Orange County Development								
Agency - Santa Ana Heights Surplus	74	13,275	(225)	13,124	397	12,727	22	12,705
Orange County Development								
Agency - Neighborhood Development								
and Preservation Projects,								
1992 Issue A	25	754	51	830	20	810	25	785
Neighborhood Development and								
Preservation Project - Low/Moderate								
Income Housing, 1992 Issue A	4	2,812	136	2,952	140	2,812	4	2,808
Orange County Development								
Agency - Neighborhood Development								
and Preservation Projects,								
1992 Issue B	5	245	(16)	234	19	215	5	210
Orange County Development								
Agency - Neighborhood Development								
and Preservation Projects,								
1992 Issue B Low/Moderate								
Income Housing	5	2,387	3	2,395	2	2,393	5	2,388
Orange County Development								
Agency-Neighborhood Preservation								
and Development Construction	--	491	249	740	184	556	--	556
Orange County Development								
Agency - Neighborhood Development								
and Preservation Project Surplus	50	847	233	1,130	232	898	49	849
Total Expenditures/Encumbrances	<u>2,994</u>	<u>35,641</u>	<u>(164)</u>	<u>38,471</u>	<u>4,265</u>	<u>34,206</u>	<u>\$ 2,926</u>	<u>\$ 31,280</u>
Excess (Deficit) of Revenues								
and Other Financing Sources								
Over Expenditures/Encumbrances	(2,994)	(32,083)	164	(34,913)	(785)	\$ 34,128		
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	23,102	--	23,102	40,975	(8,656)		
Fund Balance Reserved	--	8,981	--	8,981				
for Encumbrances	2,994	--	--	2,994	2,926			
Provisions for Reserves								
and/or Designations	--	--	(164)	(164)	5,730			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 40,190</u>			

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

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

	Open	Original	Mid-Year	Final	Actual Revenues	Variance	Variance	
	Encumbrances						Budget	Adjustments
	July 1, 2004				on Budgetary Basis	(Negative)	June 30, 2005	Appropriations
Special Assessment Districts,								
Community Facilities Districts,								
and Service Areas								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 50	\$ 2	\$ 52	\$ 3,697	\$ 3,645		
Contributions from Property Owners		--	73,000	73,000	65,955	(7,045)		
Other Revenues		--	--	--	35	35		
Transfers In		--	12	12	12	--		
Total Revenues and Other Financing Sources		<u>50</u>	<u>73,014</u>	<u>73,064</u>	<u>69,699</u>	<u>(3,365)</u>		
Expenditures/Encumbrances								
General Government:								
Aliso Viejo Community Facilities District 88-1(A) 1992-Construction	\$	--	2,725	2,495	5,220	140	5,080	\$ -- \$ 5,080
Special Assessment-Top of the World Improvement		--	43	--	43	--	43	-- 43
CFD 99-1, Ladera Construction Series A of 1999 Construction		--	95	214	309	--	309	-- 309
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction		--	1,362	6	1,368	1	1,367	-- 1,367
Rancho Santa Margarita Community Facilities District 86-1, Series A of 1998 Construction		--	100	76	176	--	176	-- 176
CFD 2002-1 Ladera Construction		--	21,613	21,777	43,390	13,707	29,683	-- 29,683
Lomas Laguna Community Facilities District 88-2 Construction		--	337	1	338	--	338	-- 338
Baker Ranch Community Facilities District 87-6 Construction		--	452	1	453	--	453	-- 453
Santa Teresita Community Facilities District 87-9 Construction		--	57	--	57	--	57	-- 57
Newport Coast IV Construction 01-1		--	10,936	2,514	13,450	8,166	5,284	-- 5,284
Mission Viejo Community Facilities District 87-3(A) 90 Construction		--	--	3	3	--	3	-- 3
CFD 2004-1 Ladera Construction		--	--	73,000	73,000	3,491	69,509	-- 69,509
CFD 01-1 Ladera Construction Series A of 2001 Construction		--	5,106	5,930	11,036	2,863	8,173	-- 8,173
Santa Teresita Community Facilities District 87-9(A) 1991 Construction		--	367	(246)	121	--	121	-- 121
CFD 00-1, Ladera Construction Series A of 2000 Construction		--	118	3,961	4,079	2,729	1,350	-- 1,350
Newport Ridge Construction 92-1		--	63	(1)	62	--	62	-- 62
Newport Ridge Construction Series B		--	4	7	11	2	9	-- 9
Foothill Ranch Community Facilities District 87-4(A) 94 Construction		--	1,083	(211)	872	640	232	-- 232
CFD 2003-1, Ladera Construction		--	45,574	(2,161)	43,413	84	43,329	-- 43,329
Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction		--	504	2	506	444	62	-- 62
Coto de Caza Community Facilities District 87-8(A) 94 Construction		--	321	1,513	1,834	1,809	25	-- 25
Public Ways and Facilities:								
County Infrastructure Project		--	7,399	(587)	6,812	2,253	4,559	-- 4,559
Total Expenditures/Encumbrances		--	<u>98,259</u>	<u>108,294</u>	<u>206,553</u>	<u>36,329</u>	<u>170,224</u>	\$ -- \$ 170,224
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances		--	(98,209)	(35,280)	(133,489)	33,370	\$ 166,859	
Fund Balances - Beginning of Year		--	98,259	--	98,259	135,474		
Cancellation of Reserves/Designations		--	--	--	--	(4,653)		
Provisions for Reserves and/or Designations		--	(50)	35,280	35,230	4,653		
Fund Balances - End of Year	\$	--	\$ --	\$ --	\$ --	\$ 168,844		

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

	Open Encumbrances July 1, 2004	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2005	Unspent Appropriations
Permanent Fund								
Revenues								
Use of Money and Property		\$ 3	\$ --	\$ 3	\$ 5	\$ 2		
Other Revenues		1	--	1	1	--		
Total Revenues		<u>4</u>	<u>--</u>	<u>4</u>	<u>6</u>	<u>2</u>		
Expenditures/Encumbrances								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	11	(1)	10	--	10	\$ --	\$ 10
Total Expenditures/Encumbrances	<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	--	(7)	1	(6)	6	<u>\$ 12</u>		
Fund Balances - Beginning of Year	--	7	--	7	91			
Cancellation of Reserves/Designations	--	--	--	--	(84)			
Provisions for Reserves and/or Designations	--	--	(1)	(1)	84			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 97</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.

Self-Insured Preferred Provider Organization (PPO) 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**

<u>ASSETS</u>	<u>Total</u>	<u>Self-Insured Benefits</u>	<u>Unemployment Insurance</u>
Current Assets			
Pooled Cash/Investments	\$ 182,319	\$ 5,596	\$ 7,196
Imprest Cash Funds	133	125	--
Receivables			
Accounts Receivable	184	--	--
Interest/Dividends	997	34	44
Allowance for Uncollectible Receivables	(2)	--	--
Due from Other Funds	8,661	--	--
Due from Component Unit	2	--	--
Due from Other Governmental Agencies	107	--	--
Inventory of Materials and Supplies	121	--	--
Total Current Assets	<u>192,522</u>	<u>5,755</u>	<u>7,240</u>
Noncurrent Assets			
Capital Assets:			
Construction in Progress	770	--	--
Structures and Improvements	4,509	--	--
Accumulated Depreciation	(3,647)	--	--
Equipment	87,059	--	--
Accumulated Depreciation	(63,486)	--	--
Total Capital Assets	<u>25,205</u>	<u>--</u>	<u>--</u>
Total Assets	<u>217,727</u>	<u>5,755</u>	<u>7,240</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	4,397	28	3
Salaries and Employee Benefits Payable	809	--	--
Due to Other Funds	525	1	1
Due to Other Governmental Agencies	3	--	--
Insurance Claims Payable	50,702	402	203
Compensated Employee Absences Payable	1,081	--	--
Capital Lease Obligations Payable	1,234	--	--
Total Current Liabilities	<u>58,751</u>	<u>431</u>	<u>207</u>
Noncurrent Liabilities			
Insurance Claims Payable	83,809	--	--
Compensated Employee Absences Payable	835	--	--
Capital Lease Obligations Payable	4,010	--	--
Total Noncurrent Liabilities	<u>88,654</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>147,405</u>	<u>431</u>	<u>207</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	19,961	--	--
Unrestricted	50,361	5,324	7,033
Total Net Assets	<u>\$ 70,322</u>	<u>\$ 5,324</u>	<u>\$ 7,033</u>

Self-Insured PPO Health Plans	Workers' Compensation	Property & Casualty Risk	
\$ 60,708	\$ 57,714	\$ 31,797	
--	--	5	
1	--	--	
369	331	126	
(1)	--	--	
--	848	5,159	
--	--	--	
--	3	27	
--	--	--	
61,077	58,896	37,114	
--	--	--	
--	--	--	
--	--	--	
--	6	6	
--	(4)	(4)	
--	2	2	
61,077	58,898	37,116	
2,494	771	251	
--	47	54	
6	137	137	
--	--	--	
10,258	29,461	10,378	
--	181	76	
--	--	--	
12,758	30,597	10,896	
--	67,520	16,289	
--	72	108	
--	--	--	
--	67,592	16,397	
12,758	98,189	27,293	
--	2	2	
48,319	(39,293)	9,821	
\$ 48,319	\$ (39,291)	\$ 9,823	

ASSETS

Current Assets

Pooled Cash/Investments
Imprest Cash Funds
Receivables
 Accounts Receivable
 Interest/Dividends
 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

Capital Assets:
 Construction in Progress
 Structures and Improvements
 Accumulated Depreciation
 Equipment
 Accumulated Depreciation

Total Capital 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

(Continued)

COMBINING STATEMENT OF NET ASSETS (Continued)
INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
<u>ASSETS</u>			
Current Assets			
Pooled Cash/Investments	\$ 5,318	\$ 1,408	\$ 12,582
Imprest Cash Funds	--	--	3
Receivables			
Accounts Receivable	169	2	12
Interest/Dividends	29	8	56
Allowance for Uncollectible Receivables	--	--	(1)
Due from Other Funds	2,366	--	288
Due from Component Unit	--	--	2
Due from Other Governmental Agencies	41	35	1
Inventory of Materials and Supplies	119	2	--
Total Current Assets	8,042	1,455	12,943
Noncurrent Assets			
Capital Assets:			
Construction in Progress	770	--	--
Structures and Improvements	4,509	--	--
Accumulated Depreciation	(3,647)	--	--
Equipment	27,486	961	58,600
Accumulated Depreciation	(18,520)	(514)	(44,444)
Total Capital Assets	10,598	447	14,156
Total Assets	18,640	1,902	27,099
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	452	102	296
Salaries and Employee Benefits Payable	333	93	282
Due to Other Funds	159	58	26
Due to Other Governmental Agencies	--	3	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	448	88	288
Capital Lease Obligations Payable	--	--	1,234
Total Current Liabilities	1,392	344	2,126
Noncurrent Liabilities			
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	384	82	189
Capital Lease Obligations Payable	--	--	4,010
Total Noncurrent Liabilities	384	82	4,199
Total Liabilities	1,776	426	6,325
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	10,598	447	8,912
Unrestricted	6,266	1,029	11,862
Total Net Assets	\$ 16,864	\$ 1,476	\$ 20,774



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

	Total	Self-Insured Benefits	Unemployment Insurance
Operating Revenues			
Use of Money and Property	\$ 2,000	\$ --	\$ --
Charges for Services	62,831	--	--
Insurance Premiums	152,557	3,278	1,611
Total Operating Revenues	<u>217,388</u>	<u>3,278</u>	<u>1,611</u>
Operating Expenses			
Salaries and Employee Benefits	14,464	--	--
Services and Supplies	26,842	--	--
Professional Services	30,955	124	74
Operating Leases	4,193	--	--
Insurance Claims	102,014	2,891	786
Other Charges	22,707	--	3,250
Depreciation	5,782	--	--
Total Operating Expenses	<u>206,957</u>	<u>3,015</u>	<u>4,110</u>
Operating Income (Loss)	<u>10,431</u>	<u>263</u>	<u>(2,499)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	30	--	--
Interest Revenue	3,725	127	182
Interest Expense	(448)	--	--
Gain (Loss) on Disposition of Capital Assets	29	--	--
Other Revenue - Net	1,111	--	--
Total Nonoperating Revenues	<u>4,447</u>	<u>127</u>	<u>182</u>
Income (Loss) Before Contributions and Transfers	14,878	390	(2,317)
Capital Contributions	26	--	--
Transfers In	9,342	--	--
Increase (Decrease) in Net Assets	<u>24,246</u>	<u>390</u>	<u>(2,317)</u>
Net Assets - Beginning of Year	46,076	4,934	9,350
Net Assets - End of Year	<u>\$ 70,322</u>	<u>\$ 5,324</u>	<u>\$ 7,033</u>

Supplemental Information
(Dollar Amounts in Thousands)

Self-Insured PPO Health Plans	Workers' Compensation	Property & Casualty Risk	
\$ --	\$ --	\$ --	Operating Revenues
--	--	--	Use of Money and Property
79,395	47,096	21,177	Charges for Services
<u>79,395</u>	<u>47,096</u>	<u>21,177</u>	Insurance Premiums
			Total Operating Revenues
--	601	971	Operating Expenses
1,694	65	8,985	Salaries and Employee Benefits
3,259	2,635	239	Services and Supplies
--	7	15	Professional Services
52,664	28,001	17,672	Operating Leases
19,449	--	--	Insurance Claims
--	2	1	Other Charges
<u>77,066</u>	<u>31,311</u>	<u>27,883</u>	Depreciation
<u>2,329</u>	<u>15,785</u>	<u>(6,706)</u>	Total Operating Expenses
			Operating Income (Loss)
--	--	--	Nonoperating Revenues (Expenses)
1,388	1,017	615	Intergovernmental Revenues
--	--	--	Interest Revenue
--	(3)	--	Interest Expense
--	361	226	Gain (Loss) on Disposition of Capital Assets
<u>1,388</u>	<u>1,375</u>	<u>841</u>	Other Revenue - Net
			Total Nonoperating Revenues
3,717	17,160	(5,865)	Income (Loss) Before Contributions and Transfers
--	--	--	Capital Contributions
<u>3,079</u>	<u>3,463</u>	<u>--</u>	Transfers In
6,796	20,623	(5,865)	Increase (Decrease) in Net Assets
41,523	(59,914)	15,688	Net Assets - Beginning of Year
<u>\$ 48,319</u>	<u>\$ (39,291)</u>	<u>\$ 9,823</u>	Net Assets - End of Year

(Continued)

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	\$ --	\$ --	\$ 2,000
Charges for Services	17,205	3,323	42,303
Insurance Premiums	--	--	--
Total Operating Revenues	<u>17,205</u>	<u>3,323</u>	<u>44,303</u>
Operating Expenses			
Salaries and Employee Benefits	6,395	1,630	4,867
Services and Supplies	6,400	1,044	8,654
Professional Services	1,682	344	22,598
Operating Leases	45	671	3,455
Insurance Claims	--	--	--
Other Charges	8	--	--
Depreciation	3,079	59	2,641
Total Operating Expenses	<u>17,609</u>	<u>3,748</u>	<u>42,215</u>
Operating Income (Loss)	<u>(404)</u>	<u>(425)</u>	<u>2,088</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	--	--	30
Interest Revenue	143	34	219
Interest Expense	--	--	(448)
Gain (Loss) on Disposition of Capital Assets	109	(2)	(75)
Other Revenue - Net	183	298	43
Total Nonoperating Revenues	<u>435</u>	<u>330</u>	<u>(231)</u>
Income (Loss) Before Contributions and Transfers	31	(95)	1,857
Capital Contributions	--	--	26
Transfers In	400	--	2,400
Increase (Decrease) in Net Assets	<u>431</u>	<u>(95)</u>	<u>4,283</u>
Net Assets - Beginning of Year	16,433	1,571	16,491
Net Assets - End of Year	<u>\$ 16,864</u>	<u>\$ 1,476</u>	<u>\$ 20,774</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS

	Total	Self-Insured Benefits	Unemployment Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 64,851	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	147,562	3,278	1,611
Payments to Suppliers for Goods and Services	(157,214)	(2,941)	(4,223)
Payments to Employees for Services	(14,512)	--	--
Payments for Interfund Services Provided	(2,457)	(153)	--
Cash Receipts for Interfund Services Provided	246	9	43
Other Receipts	3,181	--	--
Other Payments	(23,261)	--	--
Net Cash Provided (Used) by Operating Activities	<u>18,396</u>	<u>193</u>	<u>(2,569)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	8,942	--	--
Intergovernmental Revenues	30	--	--
Net Cash Provided by Noncapital Financing Activities	<u>8,972</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(4,301)	--	--
Interest Paid on Long-Term Debt	(221)	--	--
Principal Paid on Capital Lease Obligations	(1,415)	--	--
Transfers In	400	--	--
Proceeds from Sale of Capital Assets	289	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(5,248)</u>	<u>--</u>	<u>--</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	2,726	92	137
Net Cash Provided by Investing Activities	<u>2,726</u>	<u>92</u>	<u>137</u>
Net Increase (Decrease) in Cash and Cash Equivalents	24,846	285	(2,432)
Cash and Cash Equivalents - Beginning of Year	157,606	5,436	9,628
Cash and Cash Equivalents - End of Year	<u>\$ 182,452</u>	<u>\$ 5,721</u>	<u>\$ 7,196</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 10,431	\$ 263	\$ (2,499)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	5,782	--	--
Other Revenue - net	1,111	--	--
(Increases) Decreases In:			
Accounts Receivable	(7)	--	--
Due from Other Funds	(6,983)	9	43
Due from Component Unit	(2)	--	--
Due from Other Governmental Agencies	--	--	--
Inventory of Materials and Supplies	165	--	--
Increases (Decreases) In:			
Accounts Payable	1,491	--	(3)
Salaries and Employee Benefits Payable	(112)	--	--
Due to Other Funds	(221)	(153)	--
Due to Other Governmental Agencies	(2)	--	--
Insurance Claims Payable	6,677	74	(110)
Compensated Employee Absences Payable	66	--	--
Total Adjustments	<u>7,965</u>	<u>(70)</u>	<u>(70)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,396</u>	<u>\$ 193</u>	<u>\$ (2,569)</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts			
Pooled Cash/Investments	\$ 182,319	\$ 5,596	\$ 7,196
Imprest Cash Funds	133	125	--
Total Cash and Cash Equivalents	<u>\$ 182,452</u>	<u>\$ 5,721</u>	<u>\$ 7,196</u>

Supplemental Information
(Dollar Amounts in Thousands)

Self-Insured PPO Health Plans	Workers' Compensation	Property & Casualty Risk
\$ --	\$ --	\$ --
79,395	47,096	16,182
(61,074)	(29,679)	(18,517)
--	(794)	(929)
--	(678)	(41)
108	41	24
2,486	354	211
(19,449)	--	(27)
<u>1,466</u>	<u>16,340</u>	<u>(3,097)</u>
3,079	3,463	--
--	--	--
<u>3,079</u>	<u>3,463</u>	<u>--</u>
--	--	--
--	--	--
--	--	--
<u>1,019</u>	<u>686</u>	<u>487</u>
<u>1,019</u>	<u>686</u>	<u>487</u>
5,564	20,489	(2,610)
55,144	37,225	34,412
<u>\$ 60,708</u>	<u>\$ 57,714</u>	<u>\$ 31,802</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers
Cash Received for Premiums Within the County's Entity
Payments to Suppliers for Goods and Services
Payments to Employees for Services
Payments for Interfund Services Provided
Cash Receipts for Interfund Services Provided
Other Receipts
Other Payments
Net Cash Provided (Used) by Operating Activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers In
Intergovernmental Revenues
Net Cash Provided by Noncapital Financing Activities

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets
Interest Paid on Long-Term Debt
Principal Paid on Capital Lease Obligations
Transfers In
Proceeds from Sale of Capital Assets
Net Cash Used by Capital and Related Financing Activities

CASH FLOW FROM INVESTING ACTIVITIES

Interest on Investments
Net Cash Provided by Investing Activities

Net Increase (Decrease) in Cash and Cash Equivalents
Cash and Cash Equivalents - Beginning of Year
Cash and Cash Equivalents - End of Year

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

\$ 2,329	\$ 15,785	\$ (6,706)
--	2	1
--	361	226
--	--	--
108	(678)	(5,035)
--	(1)	--
--	(1)	(27)
--	--	--
2,486	(196)	(572)
--	(213)	8
--	41	24
--	--	--
(3,457)	1,220	8,950
--	20	34
(863)	555	3,609
<u>\$ 1,466</u>	<u>\$ 16,340</u>	<u>\$ (3,097)</u>

Operating Income (Loss)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
Depreciation
Other Revenue - net
(Increases) Decreases In:
Accounts Receivable
Due from Other Funds
Due from Component Unit
Due from Other Governmental Agencies
Inventory of Materials and Supplies
Increases (Decreases) In:
Accounts Payable
Salaries and Employee Benefits Payable
Due to Other Funds
Due to Other Governmental Agencies
Insurance Claims Payable
Compensated Employee Absences Payable
Total Adjustments
Net Cash Provided (Used) by Operating Activities

Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts

\$ 60,708	\$ 57,714	\$ 31,797
--	--	5
<u>\$ 60,708</u>	<u>\$ 57,714</u>	<u>\$ 31,802</u>

Pooled Cash/Investments
Imprest Cash Funds
Total Cash and Cash Equivalents

(Continued)

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2005

COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 17,209	\$ 3,339	\$ 44,303
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(8,092)	(1,318)	(31,370)
Payments to Employees for Services	(6,379)	(1,608)	(4,802)
Payments for Interfund Services Provided	(1,286)	(115)	(184)
Cash Receipts for Interfund Services Provided	17	4	--
Other Receipts	130	--	--
Other Payments	--	(373)	(3,412)
Net Cash Provided (Used) by Operating Activities	<u>1,599</u>	<u>(71)</u>	<u>4,535</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	--	--	2,400
Intergovernmental Revenues	--	--	30
Net Cash Provided by Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>2,430</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(3,602)	--	(699)
Interest Paid on Long-Term Debt	--	--	(221)
Principal Paid on Capital Lease Obligations	--	--	(1,415)
Transfers In	400	--	--
Proceeds from Sale of Capital Assets	289	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(2,913)</u>	<u>--</u>	<u>(2,335)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	116	27	162
Net Cash Provided by Investing Activities	<u>116</u>	<u>27</u>	<u>162</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,198)	(44)	4,792
Cash and Cash Equivalents - Beginning of Year	6,516	1,452	7,793
Cash and Cash Equivalents - End of Year	<u>\$ 5,318</u>	<u>\$ 1,408</u>	<u>\$ 12,585</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (404)	\$ (425)	\$ 2,088
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,079	59	2,641
Other Revenue - net	183	298	43
(Increases) Decreases In:			
Accounts Receivable	--	1	(8)
Due from Other Funds	(1,287)	4	(147)
Due from Component Unit	--	--	(1)
Due from Other Governmental Agencies	4	15	9
Inventory of Materials and Supplies	55	110	--
Increases (Decreases) In:			
Accounts Payable	(66)	(38)	(120)
Salaries and Employee Benefits Payable	32	14	47
Due to Other Funds	17	(115)	(35)
Due to Other Governmental Agencies	--	(2)	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	(14)	8	18
Total Adjustments	<u>2,003</u>	<u>354</u>	<u>2,447</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,599</u>	<u>\$ (71)</u>	<u>\$ 4,535</u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet Accounts			
Pooled Cash/Investments	\$ 5,318	\$ 1,408	\$ 12,582
Imprest Cash Funds	--	--	3
Total Cash and Cash Equivalents	<u>\$ 5,318</u>	<u>\$ 1,408</u>	<u>\$ 12,585</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.

Agency Funds

Unapportioned Tax and Interest Funds

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

Departmental Funds

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

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

	Total	Investment Pool	Educational Investment Pool
ASSETS			
Pooled Cash/Investments	\$ 2,830,697	\$ 326,156	\$ 2,504,541
Interest/Dividends	4,457	1,823	2,634
Due from Other Governmental Agencies	79	79	--
Total Assets	2,835,233	328,058	2,507,175
 LIABILITIES			
Interest Payable	113	113	--
Total Liabilities	113	113	--
 NET ASSETS			
Held in Trust	2,835,120	327,945	2,507,175
Total Net Assets	\$ 2,835,120	\$ 327,945	\$ 2,507,175

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

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
ASSETS			
Pooled Cash/Investments	\$ 178,537	\$ 122,865	\$ 55,672
Imprest Cash Funds	110	--	110
Restricted Cash and Investments with Trustee	1,300	--	1,300
Investments	1,141	--	1,141
Deposits In-Lieu of Cash	13,769	--	13,769
Receivables			
Accounts	8,289	8,286	3
Taxes	152,729	152,689	40
Interest/Dividends	1,618	1,424	194
Allowance For Uncollectible Receivables	(2)	(2)	--
Due from Other Governmental Agencies	2,862	486	2,376
Notes Receivable	8,600	--	8,600
Total Assets	\$ 368,953	\$ 285,748	\$ 83,205
 LIABILITIES			
Interest Payable	\$ 8,442	\$ 8,442	\$ --
Deposits from Others	448	--	448
Monies Held for Others	64,796	675	64,121
Due to Other Governmental Agencies	30,299	11,663	18,636
Unapportioned Taxes	264,968	264,968	--
Total Liabilities	\$ 368,953	\$ 285,748	\$ 83,205

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

	Total	Investment Pool	Educational Investment Pool
Additions:			
Contributions to Pooled Investments	\$ 6,774,934	\$ 1,031,839	\$ 5,743,095
Interest and Investment Income	63,208	8,095	55,113
Less: Investment Expense	(1,479)	(172)	(1,307)
Total Additions	6,836,663	1,039,762	5,796,901
Deductions:			
Distributions from Pooled Investments	6,504,380	955,676	5,548,704
Total Deductions	6,504,380	955,676	5,548,704
Change in Net Assets Held in Trust For:			
External Investment Pool	332,283	84,086	248,197
Net Assets Held in Trust, Beginning of Year	2,502,837	243,859	2,258,978
Net Assets Held in Trust, End of Year	\$ 2,835,120	\$ 327,945	\$ 2,507,175

**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
ASSETS				
Pooled Cash/Investments	\$ 89,998	\$ 5,434,980	\$ 5,402,113	\$ 122,865
Receivables				
Accounts	8,537	8,287	8,538	8,286
Taxes	140,524	12,257,181	12,245,016	152,689
Interest	5,900	57,939	62,415	1,424
Allowance for Uncollectible Receivables	(2)	--	--	(2)
Due from Other Funds	--	16,272	16,272	--
Due from Other Governmental Agencies	437	5,015	4,966	486
Total Assets	<u>\$ 245,394</u>	<u>\$ 17,779,674</u>	<u>\$ 17,739,320</u>	<u>\$ 285,748</u>
LIABILITIES				
Interest Payable	--	15,572	7,130	8,442
Deposits From Others	--	1	1	--
Monies Held for Others	757	9,461	9,543	675
Due to Other Funds	4,574	60,313	64,887	--
Due to Component Unit	289	--	289	--
Due to Other Governmental Agencies	13,217	74,046	75,600	11,663
Unapportioned Taxes	226,557	4,955,829	4,917,418	264,968
Total Liabilities	<u>\$ 245,394</u>	<u>\$ 5,115,222</u>	<u>\$ 5,074,868</u>	<u>\$ 285,748</u>
DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 54,807	\$ 2,723,442	\$ 2,722,577	\$ 55,672
Imprest Cash Funds	110	--	--	110
Restricted Cash and Investments with Trustee	15,993	133,740	148,433	1,300
Investments	1,116	357	332	1,141
Deposits In-Lieu of Cash	15,079	4,823	6,133	13,769
Receivables				
Accounts	23	136	156	3
Taxes	34	207	201	40
Interest	--	510	316	194
Allowance for Uncollectible Receivables	--	3	3	--
Due from Other Funds	105	624,645	624,750	--
Due from Other Governmental Agencies	2,071	61,886	61,581	2,376
Notes Receivable	7,783	1,624	807	8,600
Total Assets	<u>\$ 97,121</u>	<u>\$ 3,551,373</u>	<u>\$ 3,565,289</u>	<u>\$ 83,205</u>
LIABILITIES				
Accounts Payable	\$ --	\$ 347,998	\$ 347,998	\$ --
Salaries and Employee Benefits Payable	--	2,693	2,693	--
Deposits From Others	361	37,808	37,721	448
Monies Held for Others	77,985	2,172,699	2,186,563	64,121
Due to Other Funds	2,980	198,627	201,607	--
Due to Other Governmental Agencies	15,795	684,897	682,056	18,636
Deferred Revenue	--	167,595	167,595	--
Total Liabilities	<u>\$ 97,121</u>	<u>\$ 3,612,317</u>	<u>\$ 3,626,233</u>	<u>\$ 83,205</u>

Supplemental Information
(Dollar Amounts in Thousands)

<u>TOTAL - ALL AGENCY FUNDS</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
ASSETS				
Pooled Cash/Investments	\$ 144,805	\$ 8,158,422	\$ 8,124,690	\$ 178,537
Imprest Cash Funds	110	--	--	110
Restricted Cash and Investments with Trustee	15,993	133,740	148,433	1,300
Investments	1,116	357	332	1,141
Deposits In-Lieu of Cash	15,079	4,823	6,133	13,769
Receivables				
Accounts	8,560	8,423	8,694	8,289
Taxes	140,558	12,257,388	12,245,217	152,729
Interest	5,900	58,449	62,731	1,618
Allowance for Uncollectible Receivables	(2)	3	3	(2)
Due from Other Funds	105	640,917	641,022	--
Due from Other Governmental Agencies	2,508	66,901	66,547	2,862
Notes Receivable	7,783	1,624	807	8,600
Total Assets	<u>\$ 342,515</u>	<u>\$ 21,331,047</u>	<u>\$ 21,304,609</u>	<u>\$ 368,953</u>
LIABILITIES				
Interest Payable	--	15,572	7,130	8,442
Deposits from Others	361	37,809	37,722	448
Monies Held for Others	78,742	2,182,160	2,196,106	64,796
Due to Other Funds	7,554	258,940	266,494	--
Due to Component Unit	289	--	289	--
Due to Other Governmental Agencies	29,012	758,943	757,656	30,299
Unapportioned Taxes	226,557	4,955,829	4,917,418	264,968
Total Liabilities	<u>\$ 342,515</u>	<u>\$ 8,209,253</u>	<u>\$ 8,182,815</u>	<u>\$ 368,953</u>





STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

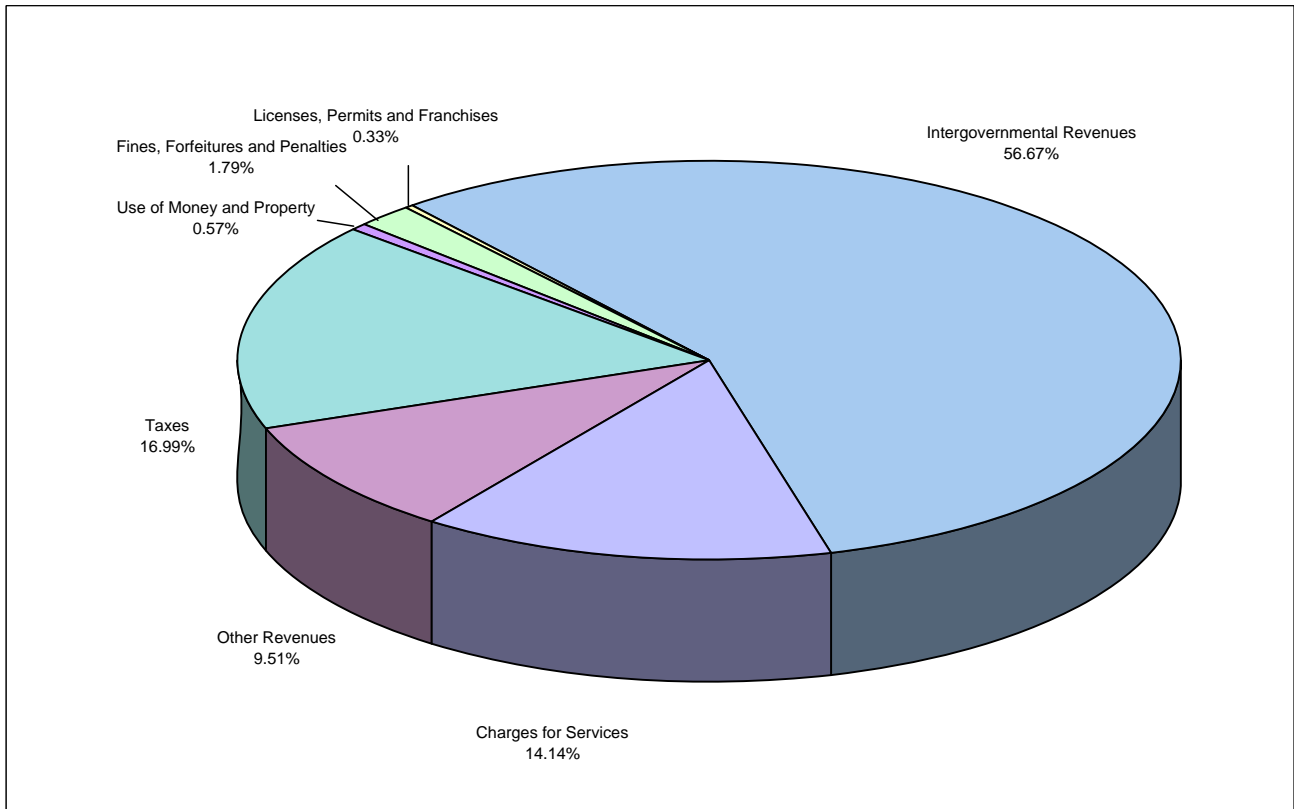
Statistical Section disclosures differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. These schedules reflect social and economic data and financial trends of the County.

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.

**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	Inter-Governmental Revenues	Charges for Services	Other Revenues	Total Revenues
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
2004-05	393,078	7,698	41,451	13,277	1,310,949	327,191	219,841	2,313,485

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
 GENERAL FUND**

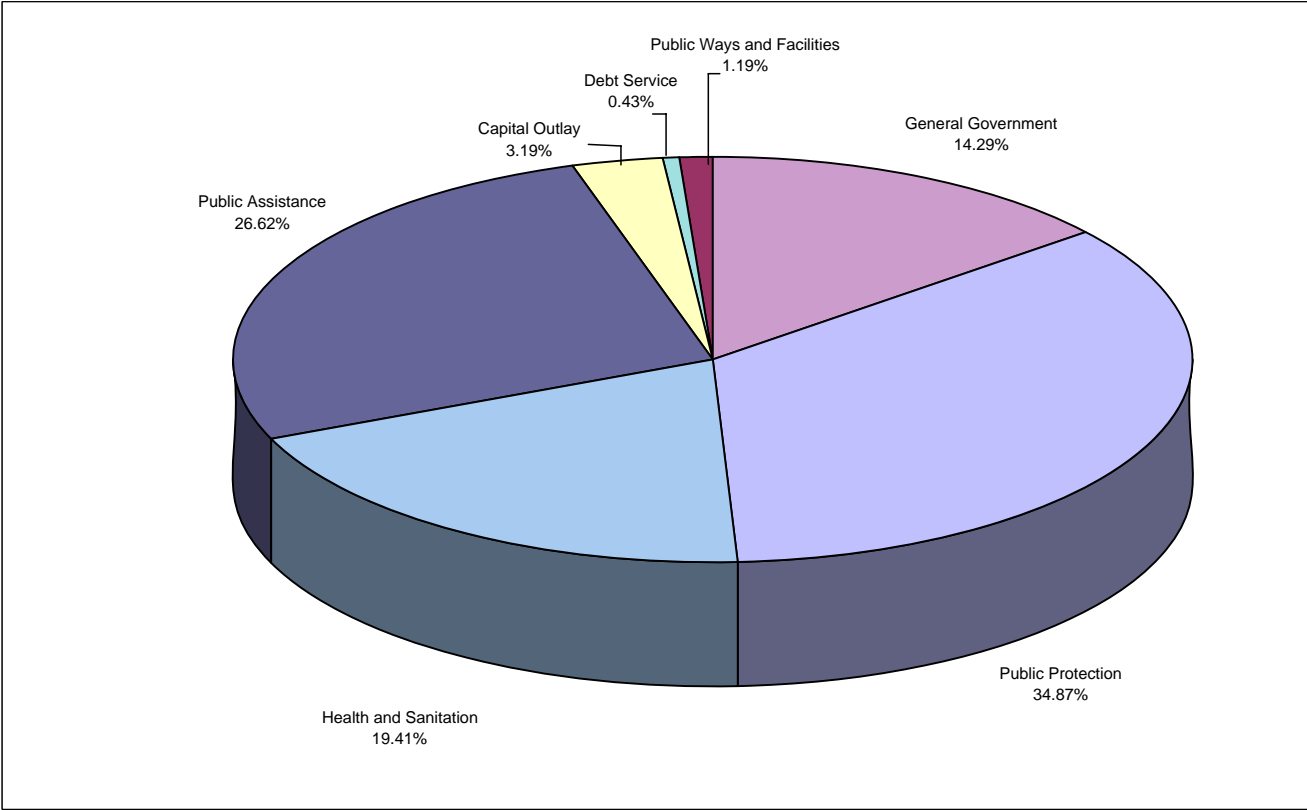


Source: Auditor-Controller, County of Orange

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

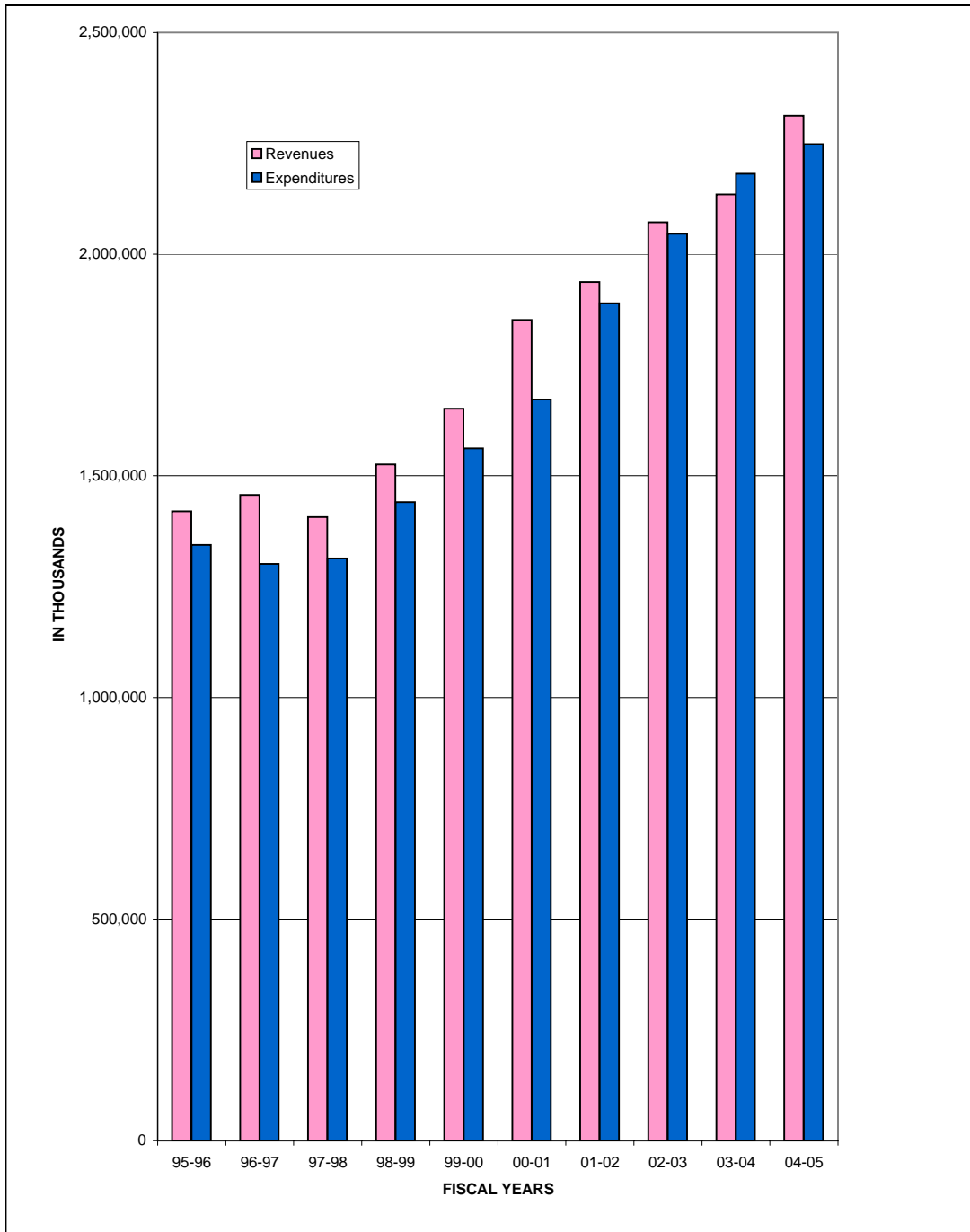
Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Capital Outlay	Debt Service	Total Expenditures
1995-96	\$ 123,511	\$ 433,499	\$ --	\$ 230,104	\$ 514,122	\$ 11,759	\$ 31,335	\$ 1,344,330
1996-97	103,371	455,608	--	248,030	482,080	11,293	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
2004-05	326,782	797,812	27,168	443,965	609,016	73,011	9,734	2,287,488

**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, County of Orange

**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
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%
2004-05	151,341	7,629	158,970	157,063	1,907	1.20%

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>
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
2004-05	294,656,788	17,145,608	311,802,395

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
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
2006	1.00000	0.04044	0.00000	0.06956	1.11000

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 (\$3,409,608) (A)
The Irvine Company	Property Management and Development	\$ 44,074	1.29 %
Walt Disney World Company	Entertainment	27,637	0.81
Irvine Apartment Communities	Property Management and Development	18,640	0.55
Southern California Edison Company	Public Utility	16,239	0.48
SBC California	Public Utility	7,749	0.23
Walt Disney World Company	Entertainment	6,817	0.20
United Laguna Hills	Real Estate Development	6,108	0.18
Irvine Co. of W VA	Real Estate Development	5,199	0.15
Irvine Community Development	Property Management and Development	4,873	0.14
McDonnell Douglas Corporation	Aerospace	4,127	0.12
		<u>\$ 141,463</u>	<u>4.15 %</u>

(A) Ten Largest Unsecured Taxpayers	(B) Type of Business	(A) Unsecured Taxes Paid	Percentage of Unsecured Taxes Paid to Total Unsecured Tax Collections (\$187,833) (A)
American Airlines Incorporated	Transportation	\$ 8,283	4.41 %
Jazz Semi Conductor Inc.	Technology	3,282	1.75
Alaska Airlines Inc.	Transportation	3,108	1.65
Cox Communications Orange	Cable Communications	2,999	1.60
McDonnell Douglas Corporation	Aerospace	1,935	1.03
Broadcom Corp	Technology	1,778	0.95
IBM Credit LLC	Finance	1,510	0.80
SBC E-Services Inc.	Communications	1,498	0.80
Parker Hannifin Corporation	Manufacturing	1,493	0.79
Powerwave Technologies Inc.	Technology	1,430	0.76
		<u>\$ 27,316</u>	<u>14.54 %</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
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
2004-05	3,057	311,802,395	--	--	--	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
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
2004-05	311,802,395	3,897,530	--	3,897,530

- (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
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
2004-05	--	--	--	2,287,488	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, 2005

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

2004-05 Assessed Valuation	\$	311,802,395	(includes unitary utility valuation)
Redevelopment Incremental Valuation		<u>27,388,453</u>	
Adjusted Assessed Valuation	\$	<u><u>284,413,942</u></u>	

<u>Direct Tax, Assessment and Other Debt:</u>	<u>% Applicable</u>	<u>June 30, 2005</u>
Orange County Teeter Plan Obligations (Direct Debt)	100.000 %	\$ 123,725 (a)
Orange County General Fund Obligations (Direct Debt)	100.000	876,499 (1)
Orange County Pension Obligations (Direct Debt)	100.000	<u>111,772 (1)</u>
Total Direct Tax, Assessment and Other Debt		1,111,996
<u>Overlapping Tax, Assessment and Other Debt</u>		
Metropolitan Water District	21.116 %	88,558 (a)
Coast Community College District	100.000	108,129 (a)
North Orange County Joint Community College District	97.400	240,319 (a)
Rancho Santiago Community College District	100.000	212,705 (a)
Unified School Districts	100.000	583,419 (a)
Anaheim Union High School District	100.000	118,809 (a)
Fullerton Joint Union High School District	90.537	58,426 (a)
Huntington Beach Union High School District	100.000	178,960 (a)
School Districts	100.000	186,442 (a)
Irvine Ranch Water District Improvement Districts	100.000	196,800 (a)
Moulton-Niguel Water District Improvement Districts	100.000	59,575 (a)
Santa Margarita Water District Improvement Districts	100.000	207,400 (a)
Other Water Districts	100.000	6,510 (a)
Cities	100.000	28,070 (a)
Orange County Community Facilities Districts	100.000	682,045 (a)
Other Community Facilities Districts	100.000	1,186,118 (a)
City and Special District 1915 Act Bonds	100.000	842,175 (a)
County 1915 Act Bonds	100.000	108,280 (a)
Orange County Board of Education Certificates of Participation	100.000	19,900
Orange County Transit Authority	100.000	3,705
Municipal Water District of Orange Co. (MWDOC) Water Facilities Corporation	100.000	35,165
Orange County Sanitation District Certificates of Participation	100.000	142,325
Community College District Certificates of Participation	100.000	47,745
Unified School District Certificates of Participation	100.000	196,781
High School District Certificates of Participation	90.537 -100	61,286
School District Certificates of Participation	100.000	65,005
Irvine Ranch Water District Certificates of Participation	100.000	46,600
Moulton-Niguel Water District Certificates of Participation	100.000	33,555
Other Special District General Fund Obligations	100.000	39,300
City of Anaheim General Fund Obligations	100.000	669,383
Other City General Fund Obligations	100.000	<u>576,333</u>
Total Gross Overlapping Tax, Assessment and Other Bonded Debt		7,029,823
Less: Orange County Transit Authority (80% self-supporting)		2,964
MWDOC Water Facilities Corporation (100% self-supporting)		35,165
City of Anaheim self-supporting obligations (100% self-supporting)		636,207
Other city authority self-supporting bonds		39,087
South Coast Water District Enterprise Revenue Bonds (100% self-supporting)		<u>3,635</u>
Total Net Overlapping Tax, Assessment and Other Bonded Debt		<u>6,312,765</u>
Gross Combined Total Debt		<u>8,141,819 (2)</u>
Net Combined Total Direct and Overlapping Bonded Debt		<u>\$ 7,424,761</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.

<u>Ratios to 2004-05 Assessed Valuation:</u>			
Direct Debt	\$123,725		0.04 %
Total Net Direct and Overlapping Tax and Assessment Debt	Σ of (a) =	\$ 5,216,465	1.67 %
<u>Ratios to Adjusted Assessed Valuation:</u>			
Combined Direct Debt	\$1,111,996		0.39 %
Gross Combined Total Debt			2.86 %
Net Combined Total Debt			2.61 %
State School Building Aid Repayable as of June 30, 2005:		\$	7,826

**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	
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
2005	99,621	70,459	29,162	11,500	6,903	18,403	1.6

- (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	
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
2005	124,706	79,285	45,421	4,280	3,335	7,615	6.0

(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)
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	4.6 **
2005	3,057	75,700 *	514	3.9

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

** Adjusted % per State of California, Employment Development Department

Sources:

- (A) County of Orange Population and Housing Estimates, California Department of Finance
- (B) U.S. Department of Housing and Urban Development, 2005
- (C) Orange County Department of Education
- (D) State of California, Employment Development Department

**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	
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
2004-05	311,802,395	63,665,000	2005	1,169,737	8,914	2,101,287	3,271,024

* 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 2005

POPULATION AND HOUSING STATISTICS

	<u>Population by City, 2000 and 2005</u>			<u>Housing Units by City, 2000 and 2005</u>		
	(A)	(B)	Percent Change	(A)	(B)	Percent Change
	<u>2000</u>	<u>2005</u>		<u>2000</u>	<u>2005</u>	
Aliso Viejo	42,509 (1)	45,017	5.90% (1)	17,243 (1)	17,968	4.20%
Anaheim	328,014	345,317	5.28%	99,719	101,738	2.02%
Brea	35,410	39,584	11.79%	13,327	14,455	8.46%
Buena Park	78,282	81,066	3.56%	23,826	23,868	0.18%
Costa Mesa	108,724	113,440	4.34%	40,406	40,935	1.31%
Cypress	46,229	48,863	5.70%	16,028	16,446	2.61%
Dana Point	35,110	36,765	4.71%	15,682	15,909	1.45%
Fountain Valley	54,978	57,353	4.32%	18,473	18,671	1.07%
Fullerton	126,003	135,672	7.67%	44,771	46,606	4.10%
Garden Grove	165,196	172,042	4.14%	46,703	47,131	0.92%
Huntington Beach	189,594	200,763	5.89%	75,662	77,616	2.58%
Irvine	143,072	180,803	26.37%	53,711	68,916	28.31%
Laguna Beach	23,727	24,969	5.23%	12,965	13,217	1.94%
Laguna Hills	31,178	33,253	6.66%	11,303	11,139	(1.45%)
Laguna Niguel	61,891	66,126	6.84%	23,885	24,723	3.51%
Laguna Woods	16,507	18,371	11.29%	12,650	13,629	7.74%
La Habra	58,974	61,771	4.74%	19,441	19,731	1.49%
Lake Forest	58,707	78,020	32.90%	20,486	26,385	28.80%
La Palma	15,408	16,112	4.57%	5,066	5,131	1.28%
Los Alamitos	11,536	12,003	4.05%	4,329	4,368	0.90%
Mission Viejo	93,102	98,197	5.47%	32,985	33,714	2.21%
Newport Beach	70,032	83,120	18.69%	37,288	42,143	13.02%
Orange	128,821	137,751	6.93%	41,904	43,518	3.85%
Placentia	46,488	50,323	8.25%	15,326	16,075	4.89%
Rancho Santa Margarita	47,214	49,249	4.31%	16,515	16,684	1.02%
San Clemente	49,936	65,338	30.84%	20,653	26,207	26.89%
San Juan Capistrano	33,826	36,078	6.66%	11,320	11,692	3.29%
Santa Ana	337,977	351,697	4.06%	74,588	75,222	0.85%
Seal Beach	24,157	25,334	4.87%	14,267	14,476	1.46%
Stanton	37,403	38,812	3.77%	11,011	11,071	0.54%
Tustin	67,504	70,871	4.99%	25,501	25,927	1.67%
Villa Park	5,999	6,230	3.85%	2,008	2,020	0.60%
Westminster	88,207	92,270	4.61%	26,940	27,300	1.34%
Yorba Linda	58,918	65,621	11.38%	19,567	21,111	7.89%
Unincorporated	<u>168,165</u>	<u>118,664</u>	<u>(29.44%)</u>	<u>61,178</u>	<u>38,100</u>	<u>(37.72%)</u>
Total County	<u><u>2,888,798</u></u>	<u><u>3,056,865</u></u>	<u><u>5.82%</u></u>	<u><u>986,727</u></u>	<u><u>1,013,842</u></u>	<u><u>2.75%</u></u>

(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, 2005

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)	-	\$617,000	
Largest Crops (C)	-	Nursery Stock and Cut Flowers	\$ 211,438,660
		Strawberries	\$ 50,963,842
		Avocados	\$ 9,330,042
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	714,127
		Democrat	446,530
		Non-partisan	262,413
		American Independent	29,136
		Libertarian	10,122
		Green	8,180
		Peace and Freedom	3,780
		Natural Law	2,324
		Other parties	5,448
		Total Registered Voters	<u>1,482,060</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



