



# County of Orange

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

David E. Sundstrom, CPA  
Auditor-Controller

# Ralph B. Clark Regional Park — Orange County's Ancient Past

## *Did you know...???*

Millions of years ago, Orange County was covered by the ocean! It was home to Joaquin, a 9-million-year old baleen whale who died in the ancient sea channel between the Saddleback Mountains and Laguna Niguel Island. This area was also home to the Carcharodon megalodon, an ancient shark whose giant teeth were the size of your hand!

## *As the earth continually evolved...*

Land emerged from the sea. Camels originating in North America migrated south; and there was a time that camels made their home here in Orange County. Mammoths, sloths, tapirs, and an extinct form of today's horse also lived on this open land.

## *Discover our ancient past with a visit to Ralph B. Clark Regional Park*

Ralph B. Clark Regional Park (Clark Park), this year's front cover, is nestled at the foot of the Coyote Hills. This 105-acre property ranges from large open grass areas to gentle rolling hills of native plants to sheer sandstone cliffs.

Clark Park has one of the richest fossil deposits in the state. These rich fossil beds were originally revealed when the California Division of Highways (now CalTrans) excavated sand and gravel from the site for use in the freeway constructions between 1956 and 1973.

One of the most unique assets of Clark Park is the Interpretive Center. The center provides an enlightening pre-historic perspective of Orange County through exhibits, interpretive programs and guided tours. It also provides opportunities to join fossil-hunting expeditions and watch paleontologists excavate for fossils.

Clark Park also features picnic areas intermingled with open play areas that include softball fields, tennis courts, volleyball courts, horseshoe pits and several entertaining playgrounds for children. In addition, fishermen can enjoy a 3-acre lake stocked with large mouth bass, bluegill and channel catfish.

For more information about Clark Park, please visit [www.ocparks.com/clarkpark/](http://www.ocparks.com/clarkpark/) or contact the park office at (714) 973-3170. The park is located at 8800 Rosecrans Avenue in Buena Park.

## **Acknowledgements:**

Photography and Information courtesy of: Resources and Development Management Department, Division of Harbors, Beaches, and Parks

Graphic Design: Laurie Pepper of Resources and Development Management Department

Special thanks to the Orange County volunteers who contributed their time and talent towards producing this year's cover

# County of Orange

State of California

## Comprehensive Annual Financial Report

For the Year Ended June 30, 2006



David E. Sundstrom, CPA  
Auditor-Controller



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# Introductory Section



*Orange County- Ralph B. Clark Regional Park*





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December 12, 2006

The Citizens of Orange County:

The Comprehensive Annual Financial Report (CAFR) of the County of Orange, State of California (County), for the year ended June 30, 2006, is hereby submitted in accordance with the provisions of Sections 25250 and 25253 of the Government Code of the State of California. The report contains financial statements that have been prepared in conformity with United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. A comprehensive framework of internal controls has been designed and established to provide reasonable assurance that the enclosed data 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 County funds. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatements.

The CAFR has been audited by the independent certified public accounting firm of Macias Gini & O'Connell LLP. The goal of the independent audit was to provide reasonable assurance about whether the basic financial statements of the County for the year ended June 30, 2006, 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 year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

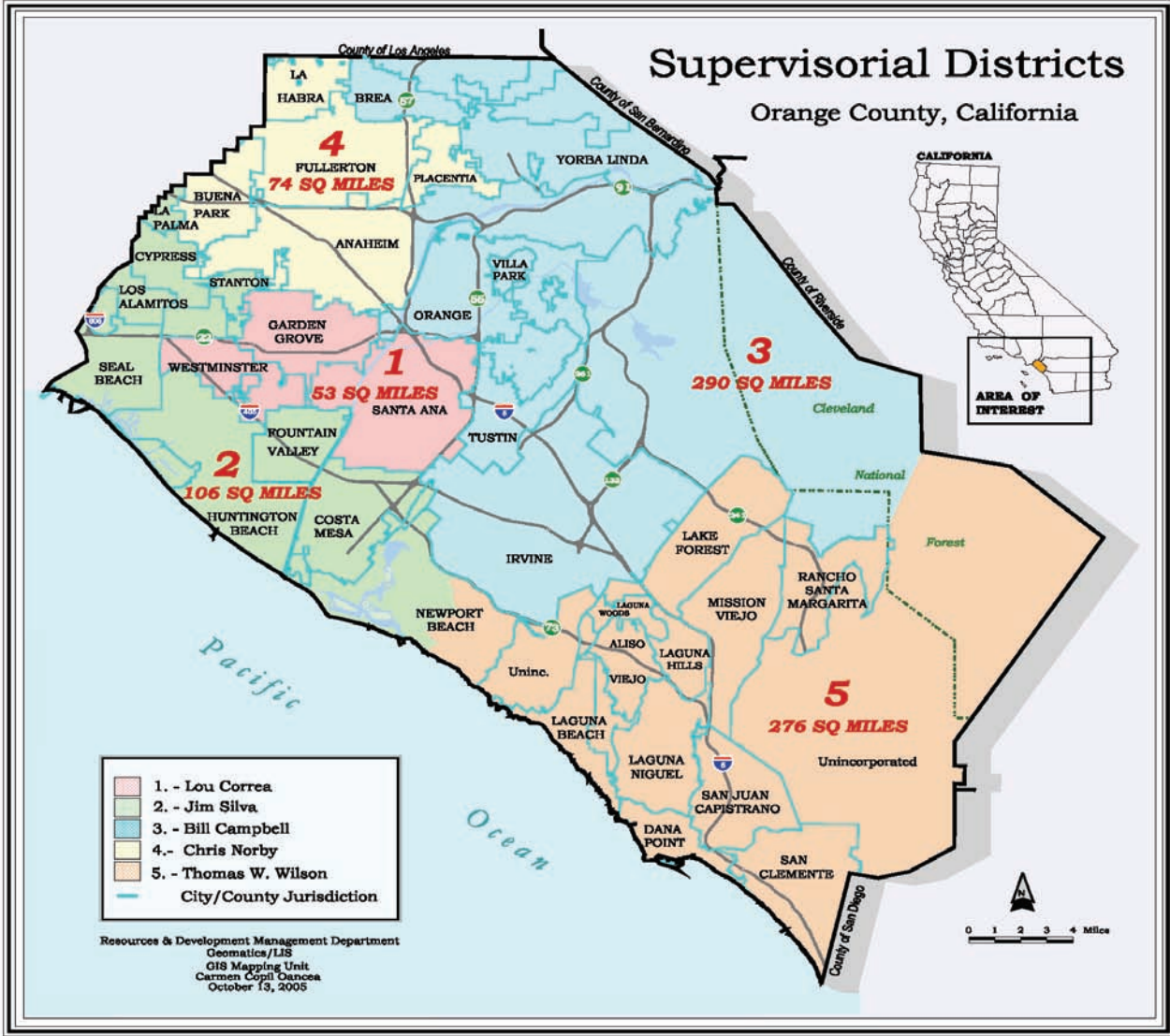
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

### **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 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:

<i>Countywide Services</i>	
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

<i>Unincorporated Area Services</i>	
Animal Control	Libraries
Flood Control	Parks
Land Use	Water Disposal Collection
Law Enforcement	

<i>Contract Services for Cities</i>	
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, 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 year ended June 30, 2006: 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 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 579,000 visits are made to the Orange County web site each month and those visitors view over 2.3 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 view both live and archived Board meetings, online public comments to Board agendas, County purchasing, ordering birth, death and marriage certificates, performing a fictitious business name search, looking up election results and polling places, paying property taxes, and searching Department Business Plans, Strategic Financial Plans, and Investment Policy Statements. 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 the 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 the local economy will remain relatively favorable when compared to surrounding counties, the state and the nation.

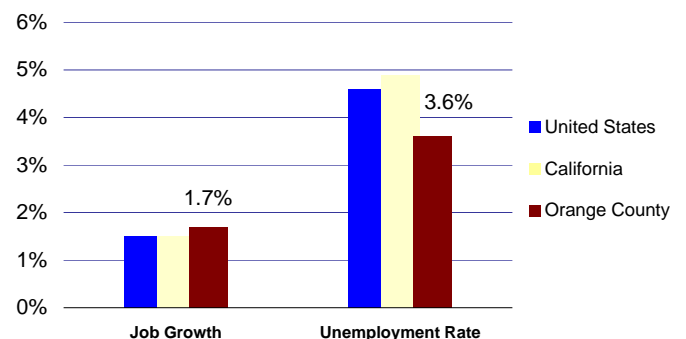
Orange County's unemployment rate continues to be one of the lowest in the State and is below that of all surrounding Southern California counties, the State of California, and the nation (see Table 1).

In addition, according to Chapman University, Orange County's job growth is expected to increase by 1.7% in 2006, resulting in 25,726 more jobs relative to 2005. This compares favorably, in percentage growth, with the State of California at 1.5% and the national level at 1.5% during the same time period.

**Table 1 : Unemployment Rate Comparison**

Primary Government Entity	August 2006 Unemployment Rate
United States	4.6%
California	4.9%
Los Angeles County	5.1%
<b>Orange County</b>	<b>3.6%</b>
Riverside County	5.2%
San Bernardino County	4.7%
San Diego County	4.1%

**Unemployment and Expected Job Growth Rates**



Sources: State of California, Employment Development Department  
Economic & Business Review, Chapman University, June 2006

Inflation, as measured by the Consumer Price Index (CPI), is expected to be 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.

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 \$78,300 (absolute dollars) in 2006. Refer to Table 3 for a comparison of other primary government entities.

According to DataQuick Information Systems, in August 2006, the median home sales price for new and existing homes in Orange County increased by 2.6% (relative to August 2005) and reached \$633,000 (absolute dollars). Compared to the surrounding counties, the increase in Orange County was low (refer to Table 4). The median sales price in Orange County continues to exceed all surrounding Counties by a substantial amount (refer to Table 4).

For the future, Chapman University is projecting that while housing appreciation will slow down, the housing affordability (compared to other parts of the country) will continue to remain low and the gap in affordability between Orange County and the U.S. will continue to grow.

In terms of internal trends, current and projected indicators suggest that the growth of the Orange County economy will continue to be slow but steady throughout 2006. Comparisons of Orange County’s unemployment rates from January 2006 through August 2006 were consistently favorable. Historical point-in-time unemployment rates in Orange County during the month of August of 2002 to 2005 show favorable recent trends. Job growth in Orange County has been steadily recovering from 2002 to

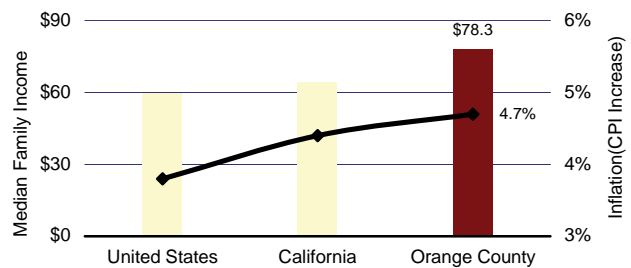
**Table 2: 2006 – Projected Increase of the CPI**

United States	California	Orange County
3.8%	4.4%	4.7%

**Table 3: Median Family Income Comparison**

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$59,600
California	\$64,100
Los Angeles County	\$56,200
<b>Orange County</b>	<b>\$78,300</b>
Riverside County	\$57,500
San Diego County	\$64,900

**Comparisons of Inflation and Median Family Income**

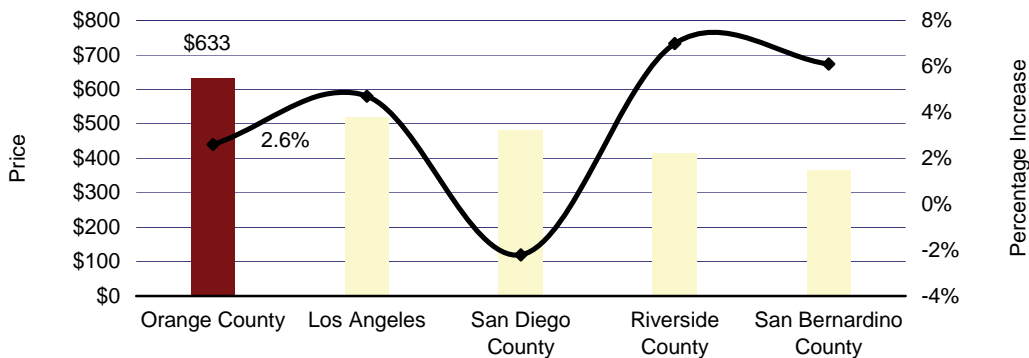


Sources: Economic & Business Review, Chapman University, June 2006  
 U.S. Department of Housing and Urban Development, 2006

**Table 4: Median Home Sales Price Comparison – Southern California Counties – August 2006**

Primary Government Entity	Median Home Sales Price Change Increase/(Decrease)	Median Home Sales Price (absolute dollars)
Los Angeles	4.7%	\$517,000
<b>Orange County</b>	<b>2.6%</b>	<b>\$633,000</b>
Riverside County	7.0%	\$415,000
San Bernardino County	6.1%	\$365,000
San Diego County	(2.2%)	\$482,000

**Median Home Sales Price and Price Increase Comparison**



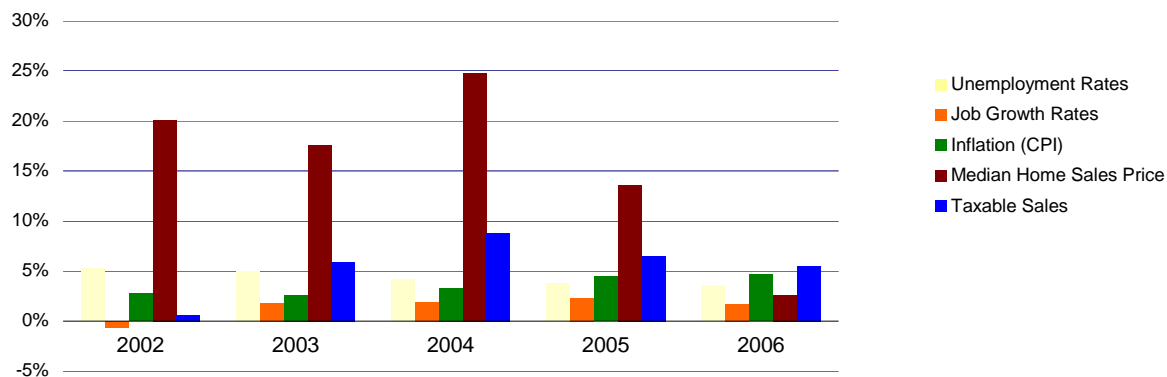
Source: DataQuick Information Systems, August 2006

2005. However, it has slowed down in 2006. Orange County's historical CPI trends since 2003 are relatively unfavorable. Year-to-year home sales price increases in Orange County for the month of August from 2002 to 2006 indicate housing affordability continues to remain low. Taxable sales in Orange County continually increased from 2002 to 2005. It is expected to increase 5.5% in 2006 as forecasted by Chapman University. This compares to an increase of 5.3% for the State of California.

**Table 5: Orange County Historical Data**

Historical Indicators	2002	2003	2004	2005	2006
Unemployment Rates	5.3%	5.0%	4.2%	3.8%	3.6%
Job Growth Rates	(0.7%)	1.8%	1.9%	2.3%	1.7%
Inflation-CPI Increase	2.8%	2.6%	3.3%	4.5%	4.7%
Median Home Sales Price Increase	20.1%	17.6%	24.8%	13.6%	2.6%
Taxable Sales Increase	0.6%	5.9%	8.8%	6.5%	5.5%

**Orange County Historical Data Comparison  
(Shown as a year-to-year Percentage increase/decrease)**



Sources: State of California, Employment Development Department  
Economic & Business Review, Chapman University, June 2006  
DataQuick Information Systems, August 2006

In summary, overall economic growth in Orange County continues to look favorable relative to surrounding counties, the State, and the nation. Moreover, historical, current and projected trends suggest that the local economy will continue to grow at a slow but steady pace during the balance of 2006.

**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 policies, notary bonds, and excess liability insurance 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.

**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 current year plan being adopted by the Board on December 13, 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.

The Orange County Board of Supervisors adopted the 2007 Strategic Financial Plan on December 12, 2006. Listed below are issues identified by the Department Heads as the County's 2006 Top 10 Strategic Priorities. These priorities were adopted as a part of next year's plan by the Board.

2006 Top 10 Strategic Priorities

1. Water Quality and Watershed Protection
2. County Facilities Master Plan
3. Information Technology Strategic Planning Tactical Goals
4. District Attorney High Tech Crime Unit Expansion
5. Tustin Family Campus
6. James A. Musick Jail Facility Expansion
7. Affordable Housing
8. Health Eating and Physical Activity Program
9. Forensic Science DNA Program
10. Adult Re-Entry Program

**Major Initiatives**

**Water Quality:** The County of Orange, Orange County Flood Control District, and 34 cities operate water quality programs pursuant to National Discharge Eliminate system, a section of the federal Clean Water Act. Permits are issued by two Regional Water Quality Control Boards covering Orange County for five-year terms. The County is the principal permittee under both permits. The most recent permits issued in 2002 imposed stricter, more detailed, requirements than previous municipal stormwater permits. The permittees are required to review new development plans and inspect projects to ensure the inclusion of appropriate water quality protection measures (termed best management practices or BMPs), monitor the water quality streams, flood control channels, harbors, and bays, and report their activities and monitoring results to the Regional Water Quality Control Boards. The permits require collaborative water quality planning initiatives in all eleven major watersheds in the County and direct the permittees to cooperate in appropriate water quality management programs across the region and within each watershed. The County, District, and cities must also determine and implement BMPs for public projects, commercial and industrial activities, construction sites, municipal operations, and maintenance activities. The Regional Boards will be issuing new five-year permits in 2007 and it is anticipated that the renewed permits will once again include significant new requirements to meet water quality objectives.

Because of the importance of beach recreation to Orange County's economy and quality of life, the County, District, 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 Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its CAFR for the year ended June 30, 2005. 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 the GFOA to determine its eligibility for another certificate.

In addition, the County issued its third consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2005. 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 & O'Connell 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, 2005

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.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**PRINCIPAL COUNTY OFFICIALS**

Elective Office (Other Than Judicial)

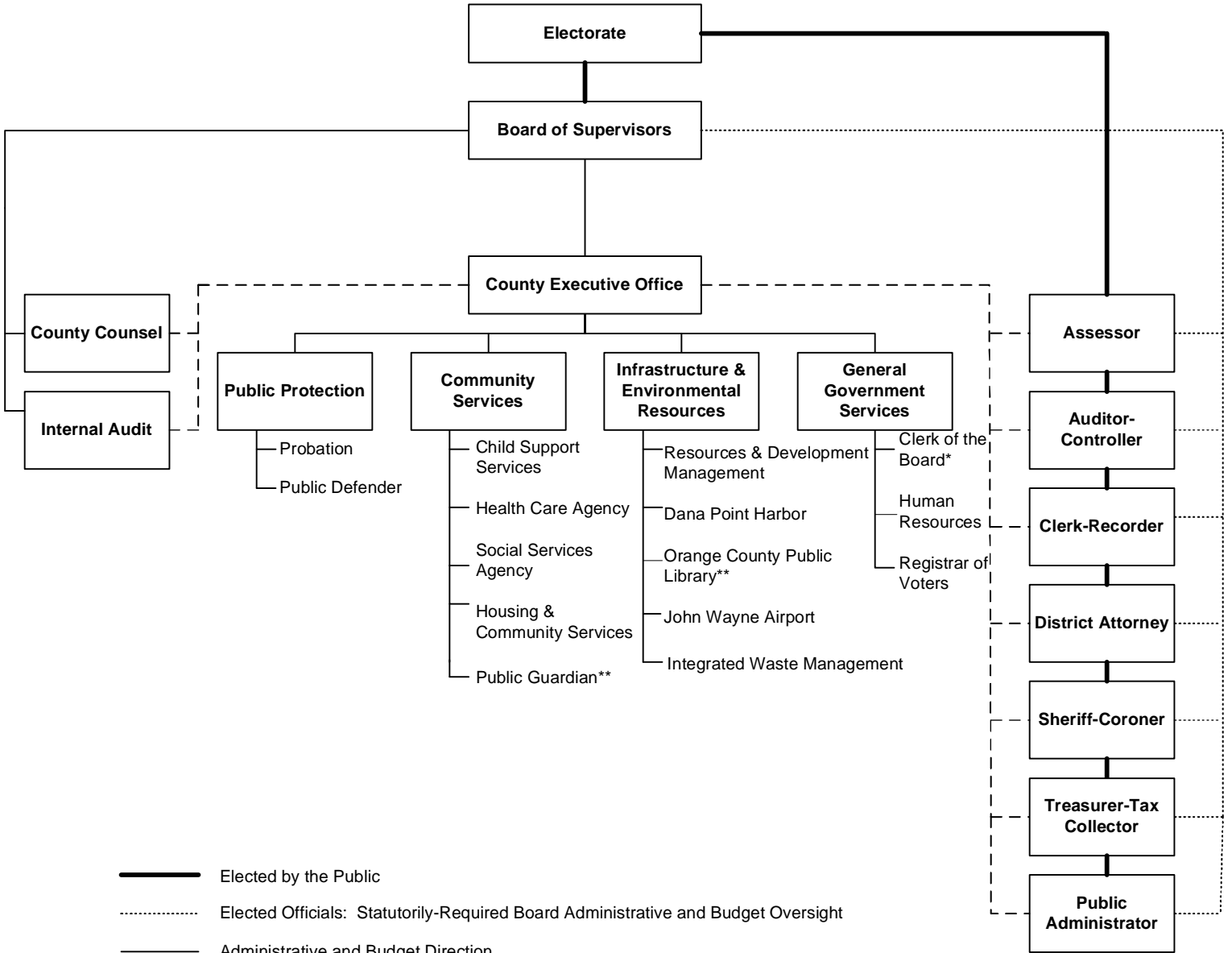
Office Holder

Supervisor, First District.....	Lou Correa
Supervisor, Second District .....	James W. Silva
Supervisor, Third District.....	Bill Campbell, Chair
Supervisor, Fourth District .....	Chris Norby, Vice Chair
Supervisor, Fifth District.....	Thomas W. Wilson
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
Assistant to the CEO.....	Rob Richardson
Deputy CEO, Chief Financial Officer.....	Vacant
Interim Deputy CEO, Infrastructure and Environmental Services..	Dave Rudat
Deputy CEO, Government and Public Services .....	William D. Mahoney
Deputy CEO, Chief Information Officer.....	Satish Ajmani
County Librarian .....	John M. Adams
County Probation Officer .....	Colleene Preciado
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
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 .....	Ingrid Harita
Public Guardian.....	John S. Williams
Public Defender.....	Deborah A. Kwast
Registrar of Voters .....	Neal Kelley

## 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



*Orange County Ralph B. Clark Regional Park*







## 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, 2006, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows 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 1, 2006 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 39 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.

*Macias Jini & O'Connell LLP*

Certified Public Accountants

Los Angeles, California  
December 1, 2006



# Management's Discussion and Analysis



*Orange County Ralph B. Clark Regional Park*



**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the County's Comprehensive Annual Financial Report (CAFR) provides a narrative overview and analysis of the financial activities of the County for the year ended June 30, 2006. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides 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 \$254,715, or 7% as compared to last year.
- Long-term debt decreased by \$279,368, or 21% during the current fiscal year.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$1,898,401, a decrease of \$50,542, or 3% in comparison with the prior year.
- At June 30, 2006, unreserved fund balance in the General Fund was \$149,617, or 6% of total FY 2005-06 expenditures and transfers of \$2,338,690.
- General Fund revenues and transfers ended the year 2% below budget.
- General Fund expenditures and transfers ended the year 7% 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

<b><i>Basic Financial Statements</i></b>			
<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>		
	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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
<b>Type of Financial Statement</b>	Statement of Net Assets  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets  Statement of Revenues, Expenses, and Changes in Fund Net Assets  Statement of Cash Flows	Statement of Fiduciary Net Assets  Statement of Changes in Fiduciary Net Assets
<b>Scope</b>	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
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset and liability information</b>	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
<b>Type of inflow and outflow information</b>	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 2005-06, an increase of \$183,687 in net assets in the government-wide financial statements was reported, and a decrease of \$50,542 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 these differences.

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, 2006, the County's combined net assets (governmental and business-type activities) totaled \$4,143,016, an increase of 7% from FY 2004-05.

The largest component of the County's net assets (64%) 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

COMPONENTS OF NET ASSETS	
•	Invested in Capital Assets, Net of Related Debt
•	Restricted
•	Unrestricted

be used to liquidate the associated debt, the resources needed to repay the debt must be provided from other sources.

The County's **restricted** net assets total \$1,526,499 which represents 37% 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, 2006, governmental activities showed a negative amount of \$33,051 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 10, Long-Term Obligations, for more details of this Plan.

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

<b>NET ASSETS – Primary Government</b>						
June 30, 2006						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>						
Current and other assets	\$ 2,832,965	\$ 2,875,262	\$ 660,212	\$ 596,702	\$ 3,493,177	\$ 3,471,964
Capital assets	2,373,933	2,410,746	500,814	507,408	2,874,747	2,918,154
<b>Total Assets</b>	<b>5,206,898</b>	<b>5,286,008</b>	<b>1,161,026</b>	<b>1,104,110</b>	<b>6,367,924</b>	<b>6,390,118</b>
<b>LIABILITIES</b>						
Long-term liabilities	1,393,453	1,649,663	340,154	356,045	1,733,607	2,005,708
Other liabilities	424,653	431,240	66,648	64,869	491,301	496,109
<b>Total Liabilities</b>	<b>1,818,106</b>	<b>2,080,903</b>	<b>406,802</b>	<b>420,914</b>	<b>2,224,908</b>	<b>2,501,817</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,306,178	2,336,881	343,390	335,795	2,649,568	2,672,676
Restricted	1,115,665	913,153	410,834	347,401	1,526,499	1,260,554
Unrestricted	(33,051)	(44,929)	--	--	(33,051)	(44,929)
<b>Total Net Assets</b>	<b>\$ 3,388,792</b>	<b>\$ 3,205,105</b>	<b>\$ 754,224</b>	<b>\$ 683,196</b>	<b>\$ 4,143,016</b>	<b>\$ 3,888,301</b>

As of June 30, 2006, the County's total assets decreased by less than 1%, or \$22,194 during the current fiscal year. Of this amount, current and other assets increased by \$21,213 (1%), while capital assets decreased by \$43,407 (1%). Total liabilities for this year decreased by 11% or \$276,909. Of this amount, long-term liabilities decreased by \$272,101 (14%), while other liabilities decreased by \$4,808 (1%).

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

<b>CHANGES IN NET ASSETS – Primary Government</b>						
For the Year Ended June 30, 2006						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 477,360	\$ 470,259	\$ 216,014	\$ 210,103	\$ 693,374	\$ 680,362
Operating Grants and Contributions	1,605,063	1,540,938	22,846	13,968	1,627,909	1,554,906
Capital Grants and Contributions	18,178	66,889	1,720	10,703	19,898	77,592
General Revenues:						
Property Taxes	423,444	387,204	--	--	423,444	387,204
Property Taxes in Lieu of Motor Vehicle License Fees	158,240	141,319	--	--	158,240	141,319
Other Taxes	50,676	48,862	--	--	50,676	48,862
Grants and Contributions not Restricted to Specific Programs	1,881	9,442	--	--	1,881	9,442
State Allocation of Vehicle Motor License Fees	56,873	54,325	--	--	56,873	54,325
Other General Revenues	104,827	79,497	3,016	314	107,843	79,811
<b>Total Revenues</b>	<b>2,896,542</b>	<b>2,798,735</b>	<b>243,596</b>	<b>235,088</b>	<b>3,140,138</b>	<b>3,033,823</b>
<b>EXPENSES</b>						
General Government	227,536	171,771	--	--	227,536	171,771
Public Protection	972,996	947,698	--	--	972,996	947,698
Public Ways and Facilities	105,342	77,928	--	--	105,342	77,928
Health and Sanitation	467,640	455,059	--	--	467,640	455,059
Public Assistance	773,109	740,987	--	--	773,109	740,987
Education	40,452	30,641	--	--	40,452	30,641
Recreation and Cultural Services	72,535	73,530	--	--	72,535	73,530
Interest on Long-Term Debt	64,680	81,841	--	--	64,680	81,841
Airport	--	--	84,362	79,882	84,362	79,882
Waste Management	--	--	76,771	87,533	76,771	87,533
<b>Total Expenses</b>	<b>2,724,290</b>	<b>2,579,455</b>	<b>161,133</b>	<b>167,415</b>	<b>2,885,423</b>	<b>2,746,870</b>
Excess before Transfers	172,252	219,280	82,463	67,673	254,715	286,953
Transfers	11,435	14,579	(11,435)	(14,579)	--	--
<b>Increase in Net Assets</b>	<b>183,687</b>	<b>233,859</b>	<b>71,028</b>	<b>53,094</b>	<b>254,715</b>	<b>286,953</b>
Net Assets - Beginning of the Year	3,205,105	2,971,246	683,196	630,102	3,888,301	3,601,348
<b>Net Assets - End of the Year</b>	<b>\$ 3,388,792</b>	<b>\$ 3,205,105</b>	<b>\$ 754,224</b>	<b>\$ 683,196</b>	<b>\$ 4,143,016</b>	<b>\$ 3,888,301</b>

As of June 30, 2006, the County's net assets increased by 7%, or \$254,715 during the current fiscal year. Revenues for the year totaled \$3,140,138, an increase of \$106,315 from the previous year and expenses totaled \$2,885,423, an increase of \$138,553.

## Governmental Activities

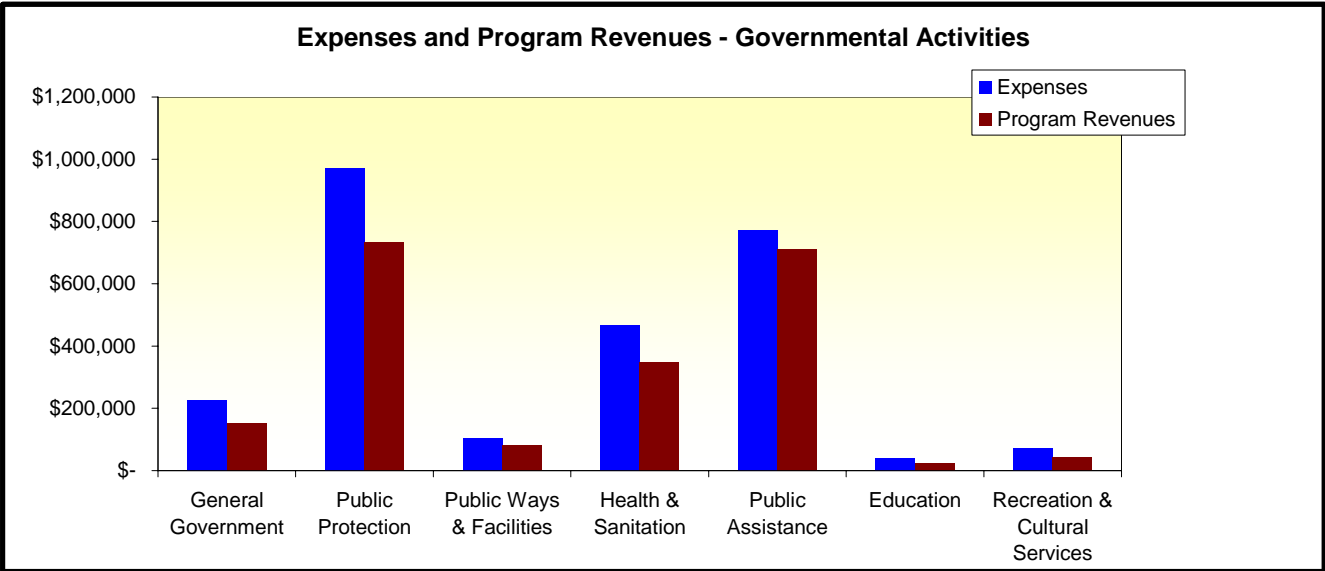
The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest revenue source for the County followed by Charges for Services. Operating Grants and Contributions are monies received from parties outside the 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 2005-06 total revenues for the governmental activities, including transfers from the business-type activities were \$2,907,977, an increase of \$94,663 from the previous year. Expenses totaled \$2,724,290, an increase of \$144,835 from the prior year. While revenues and expenses increased from the prior year, revenues still exceeded the expenses. Governmental activities increased the County's net assets by \$183,687, accounting for 72% 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:

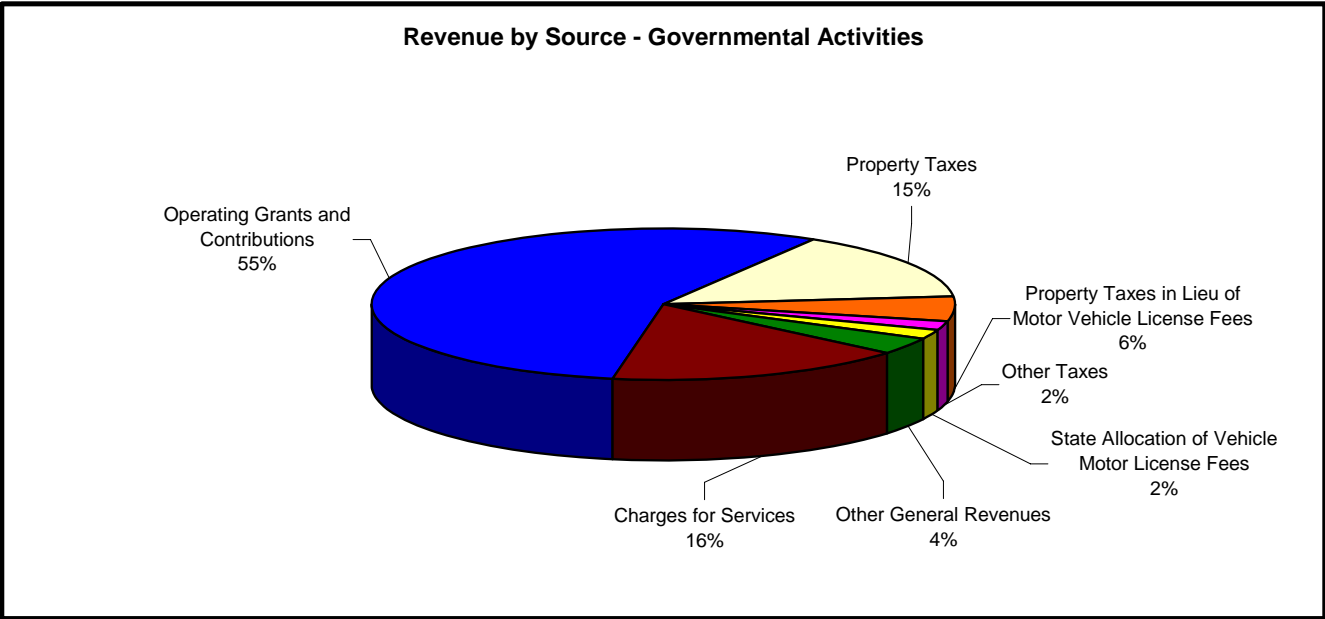
- Property Taxes increased by \$36,240 due to the continued growth in the assessed property valuations.
- Property Taxes in Lieu of Vehicle License Fees (VLF) increased by \$16,921 as a result of an increase in the assessed property valuations and a one time Property Tax in Lieu of VLF payment from the State for an underpayment in FY 2004-05, which was recognized in FY 2005-06.
- Operating Grants and Contributions increased by \$20,615 due to a growth of receipts from Proposition 172, a permanent state-wide half-cent sales tax for support of local public safety activities.
- General Government expenditures increased \$41,623 due to an increase of \$28,543 in retirement costs and an increase of \$13,080 due to the additional costs associated with the 48<sup>th</sup> District Congressional District Primary Special Elections.
- Public Protection expenditures increased by \$15,208, primarily due to increases in employee salary and benefits.
- Public Ways and Facilities expenditures increased by \$13,914 due to an increase in capital projects and work completed on Laguna Canyon Road and various intersection improvements along El Toro Road.

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 third and final annual installment payment 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:

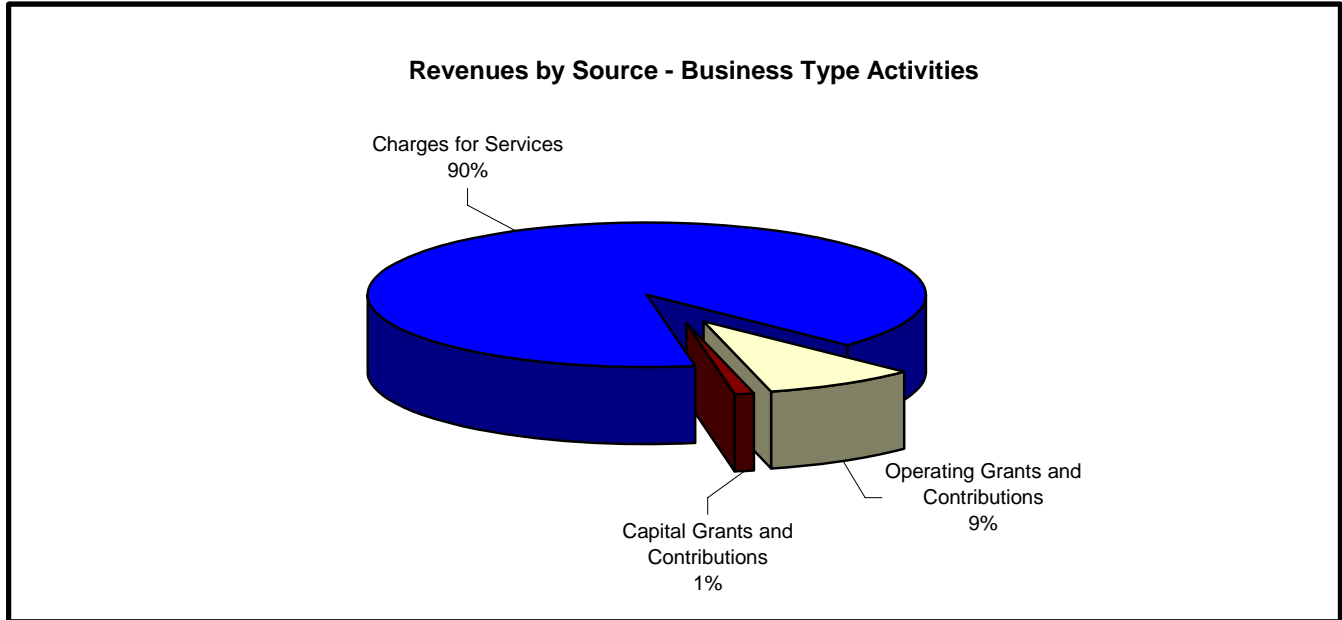


The chart below presents the percentage of total revenues by source for governmental activities:



## Business-Type Activities

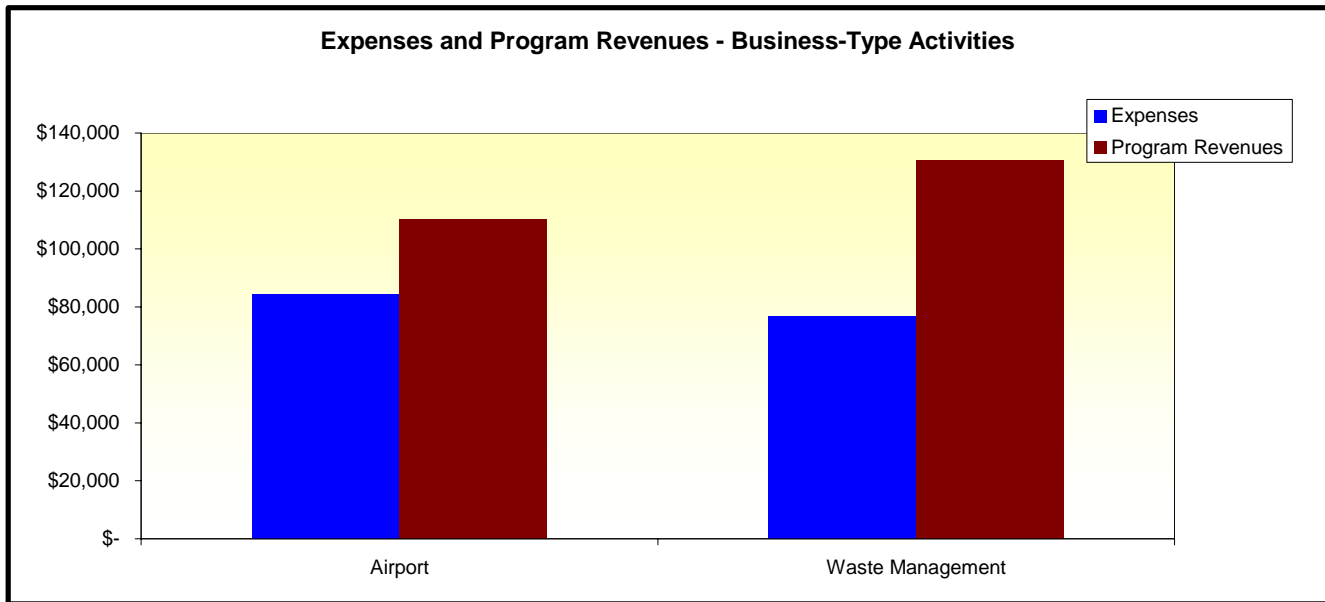
The County has two business-type activities: Airport and Waste Management. In keeping with the intent of recovering all or a significant portion of their cost through user fees and charges, business-type activities reported Charges for Services as their largest source of revenues. Operating Grants and 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 2005-06, business-type activities reported total revenues of \$243,596, an increase of \$8,508 from the prior year. Expenses, including transfers to the governmental activities, totaled \$172,568, resulting in a decrease of \$9,426 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 2005-06, there was an increase of \$71,028 in net assets as compared to an increase of \$53,094 in FY 2004-05. The increase in net assets was mostly due to increased revenues; however, there was also a decrease in expenses. Key elements for the net increase are as follows:

- A \$6,276 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 \$8,694 increase in interest revenue due to the upward trend of interest rates.
- A \$4,647 increase in revenue due to lawsuit settlements paid to the Airport.
- A \$8,983 decrease in grant revenues due to the expiration of several grants in FY 2005-06.
- A \$2,020 increase in maintenance costs for elevators, loading bridge, baggage conveyor, pavement repairs, terminal corrosion control, and contingency expenses.
- A \$3,765 increase in professional services expenses primarily due to an increase in services provided by the Sheriff Department.
- A \$7,990 decrease in expenses resulting from an adjustment to the estimated future costs for landfill closure and postclosure care costs.
- A \$6,195 decrease in settlement payments for postclosure care costs.

The following chart displays expenses and the associated program revenues by function 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, 2006, the County's governmental funds reported total fund balances of \$1,898,401 which is a decrease of \$50,542 in comparison with the prior year. Of the total fund balances for the governmental funds, \$1,236,229 (65%) 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:

Funds	Planned Uses of Unreserved Fund Balances
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.
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 Public Protection	- Safety and law enforcement activities such as child support programs, automated fingerprint identification systems and investigation teams.
Other Governmental	- Construction of various capital projects including affordable housing and for accounting of revenues received and reserved for future incorporation agreements and mental health services.

The remaining fund balances are *reserved*. Reserved fund balances primarily represent assets that are not available for spending or assets with restrictions imposed by parties outside the County.

**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, 2006**

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2006	2005	2006	2005	2006	2005
General Fund	\$ 2,529,721	\$ 2,442,533	\$ 2,492,928	\$ 2,424,356	\$ 36,793	\$ 18,177
Roads	53,185	38,765	62,822	43,881	(9,637)	(5,116)
Public Library	35,476	32,433	32,709	30,972	2,767	1,461
Tobacco Settlement	28,708	31,031	32,378	32,179	(3,670)	(1,148)
Refunding Bonds and Recovery COPs & Debt Prepayment	17,106	119,543	280,503	100,445	(263,397)	19,098
Flood Control District	83,926	72,629	63,441	125,086	20,485	(52,457)
Harbors, Beaches, and Parks	89,396	81,359	75,213	72,429	14,183	8,930
Other Public Protection *	104,464	91,815	63,684	43,480	40,780	48,335
Other Governmental	815,809	351,716	704,655	280,159	111,154	71,557
<b>Total</b>	<b>\$ 3,757,791</b>	<b>\$ 3,261,824</b>	<b>\$ 3,808,333</b>	<b>\$ 3,152,987</b>	<b>\$ (50,542)</b>	<b>\$ 108,837</b>

\* New Major Governmental Fund (In FY 2004-05, this fund was included in Other Governmental)

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 2005-06, there was an increase in fund balance of \$36,793. Revenues for the General Fund exceeded expenditures. Property tax revenues increased by \$66,617 as a result of the continued growth in the assessed property valuations, an increase in Property Tax in Lieu of VLF, and a one time Property Tax in Lieu of VLF payment from the State for an underpayment in FY 2004-05. Intergovernmental revenues also increased by \$52,673 as a result of a one time payment from the State for repayment of a VLF gap loan and the termination of the VLF intercept following the refunding of the 1995A Refunding Recovery Bonds and the 1996 Recovery Certificate of Participation Bonds. For more information on the refunding, refer to Note 10, Long-Term Obligations.

At the end of FY 2005-06, retirement costs increased by \$37,602. Salaries and wages for Public Protection increased by \$16,305. The Registrar of Voters expenditures increased by \$13,080 for special elections. Debt Service expenditures also increased by \$20,774 due to the 2005 Refunding Recovery bonds issuance costs and debt service payments. For more information, refer to Note 10, Long-Term Obligations.

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 2005-06, there was a decrease in fund balance of \$9,637 compared to last year's decrease in fund balance of \$5,116. In comparison to last year, revenues from Intergovernmental revenues increased \$6,908 primarily due to revenue received from Proposition 42, the Transportation Congestion Improvement Act, and the widening of the Glassell Street Bridge. Expenditures increased by \$13,914 due to an increase in capital projects and work completed on Laguna Canyon Road and various intersection improvements along El Toro Road.

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 \$2,767 increase to fund balance this fiscal year. The Public Library Fund had an increase of \$2,685 in property tax revenues from rising home prices and new housing construction in the areas for which it receives property tax revenue. A decrease in revenues of \$444 is due to a decrease in developer deposits used for construction or improvements. In comparison to the prior year, expenditures increased for retirement costs, building improvements and overall operations by \$2,444.

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 2005-06, fund balance continued to decline by \$3,670, primarily due to a decrease in revenues of \$2,528 from settlement monies. The participating tobacco manufacturers withheld a portion of the settlement payment claiming a decline in sales due to a lack of diligence by the participating states, including California, in enforcing the Master Settlement Agreement laws.

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 2005-06, there was a decrease in fund balance of \$263,397. The decrease is primarily due to the refunding and defeasance of both the 1995 Refunding Recovery Bonds and the 1996 Recovery Certificates of Participation. Due to the refunding, this fund was closed in FY 2005-06. For more information, refer to Note 10, Long-Term Obligations.

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 2005-06, there was an increase in fund balance of \$20,485 compared to last year's decrease in fund balance of \$52,457. Property tax revenues increased by \$4,715. In comparison to last year, expenditures decreased by \$66,398. The decrease in expenditures is primarily attributed to significant land purchases in FY 2004-05 for the Prado Dam 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 2005-06, there was a \$14,183 increase in fund balance. Property tax revenues increased by \$3,493. An increase in transfers in of \$8,673 is due to an allocation from the bankruptcy debt refinancing savings.

Other Public Protection

This group of funds is used to account for safety and law enforcement activities. Revenues consist primarily of Federal and State grants. At the end of FY 2005-06, there was an increase in fund balance of \$40,780 compared to last year's increase in fund balance of \$48,335. Intergovernmental revenues increased \$19,697 due to the transfer of revenues from the agency funds to newly established funds and a Federal grant award for the State Criminal Alien Assistance Program (SCAAP). A decrease of \$9,481 in revenues from Charges for Services is a result of a decline in document recording services due to the slow down in the real estate sales activity. Transfers also increased \$21,484 due to increased General Fund expenditures of purpose-restricted revenues related to Proposition 36, the Substance Abuse and Crime Prevention Act, and Proposition 172, a permanent state-wide half-cent sales tax dedicated to the support of local public safety activities.

Other Governmental Funds

At the end of FY 2005-06, there was an increase in fund balance of \$111,154 compared to last year's increase in fund balance of \$71,557. In FY 2005-06, Other Public Protection became a major governmental fund and is no longer part of this group of funds. Other financing sources increased by \$82,466, primarily due to the issuance of the 2005 Lease Revenue Refunding Bonds. Contributions from Property Owners revenue decreased by \$50,115 due to fewer bond issuances in FY 2005-06 compared to last year. This year's Capital Outlay expenditures decreased by \$10,275 due to a decrease in construction reimbursements to developers for capital projects.

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

**COMPARATIVE FUND BALANCE**  
Governmental Funds  
June 30, 2006 and 2005

	2006	2005	Increase (Decrease) %
General Fund	\$ 358,135	\$ 321,342	11 %
Roads	103,211	112,848	(9)%
Public Library	7,306	4,539	61 %
Tobacco Settlement	5,995	9,665	(38)%
Refunding Bonds and Recovery COPs & Debt Prepayment *	--	263,397	(100)%
Flood Control District	226,646	206,161	10 %
Harbors, Beaches, and Parks	64,157	49,974	28 %
Other Public Protection	223,313	182,533	22 %
Other Governmental Funds	909,638	798,484	14 %
<b>Total</b>	<b>\$ 1,898,401</b>	<b>\$ 1,948,943</b>	<b>(3)%</b>

\* The Refunding Bonds and Recovery COPs Debt Prepayment fund was closed in FY 2005-06.

**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:

<b>ENTERPRISE FUNDS                      COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS                      For the Year Ended June 30, 2006</b>						
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets	
	2006	2005	2006	2005	2006	2005
Airport	\$ 113,044	\$ 110,324	\$ 83,559	\$ 78,835	\$ 29,485	\$ 31,489
Waste Management	130,475	124,706	88,509	102,510	41,966	22,196
<b>Total</b>	<b>\$ 243,519</b>	<b>\$ 235,030</b>	<b>\$ 172,068</b>	<b>\$ 181,345</b>	<b>\$ 71,451</b>	<b>\$ 53,685</b>

Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at John Wayne Airport (JWA). Last year's increase in fund net assets was \$31,489; this year the fund net assets increased by \$29,485 primarily because of the following factors:

- A \$2,594 increase in interest revenue due to the upward trend of interest rates.
- A \$1,547 increase in Professional Services expenses due to increase in services provided by the Sheriff's department.

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 2005-06, there was an increase in fund net assets of \$41,966, compared to the prior year change of \$22,196, primarily due to the following factors:

- A \$6,101 increase in interest revenue due to the upward trend of interest rates.

For further comparative analysis of changes in Fund Net Assets, please see the Business-Type Activities.

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

#### Intergovernmental Revenues

- A \$48,033 revenue increase in the County General Fund due to the one-time repayment of the VLF gap loan. The gap loan occurred in FY 2003-04 when the State reduced the VLF payments to the counties with plans to repay the loan in FY 2006-07. However, the gap loan was repaid early in September 2005 and resulted in a one-time payment of \$26,500. Additionally, an increase in revenues of \$21,533 was due to the refunding of the 1995 and 1996 Recovery Bonds in August 2005. The VLF that had been intercepted by the State Controller to repay the recovery bonds was eliminated due to this refunding. The increase in VLF revenue will be used to pay debt service on the 2005 Refunding Recovery Bonds. Note 10, Long-Term Obligations, provides additional information on the Refunding Recovery Bonds 2005 Series A.

#### Other Revenue

- An increase of \$22,865 is mostly due to revenues from retirement billings to departments for their portion of the annual required contribution to the Orange County Employees Retirement System (OCERS). See Budgetary Comparison Statement for additional information.

#### Transfers In

- A \$23,342 increase in budgeted revenues in the Health Care Agency (HCA) for transfers from Purpose Restricted Special Revenue Funds such as the newly established Proposition 63 Mental Health Services Act (MHSA), the Substance Abuse Crime Prevention Act (SACPA), and the Center for Disease Control Bioterrorism Fund.
- A decrease of \$11,535 in the Sheriff-Coroner Department because various capital projects and major purchases originally budgeted in the General Fund are now budgeted in other funds.

#### Bonds Issuance Proceeds

- A \$126,000 increase in budgeted revenues for the County General Fund following the issuance of the Taxable Pension Obligation Bonds, Series 2006 (the 2006 POBs). See Note 9, Short-Term Obligations, for additional information.

#### Proceeds of Refunding Bonds

- A \$146,005 increase in budgeted other financing sources for the County General Fund following the issuance of the 2005 Refunding Recovery Bonds. See Note 10, Long-Term Obligations, for additional information.

### **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

- A \$28,030 increase in appropriations to offset year-end payments to OCERS and for unanticipated payments of attorney fees and expenses associated with the *William B. Bunker vs. County of Orange* pending litigation. See Note 16, Estimated Liability for Other Litigation and Claims, for additional information.

2005 Lease Revenue Bonds

- A \$10,416 increase was appropriated for debt service payments on the 2005 Lease Revenue Refunding Bonds. See Note 10, Long-Term Obligations, for additional information.

Refunding Recovery Bonds, 2005 Series A

- A \$175,073 increase in appropriations to refund and defease the outstanding 1995 Refunding Recovery Bonds and to pay the costs of issuance for the 2005 Refunding Recovery Bonds. See Note 10, Long-Term Obligations, for additional information.

Prepaid Pension Obligation

- A \$126,000 increase in appropriations to prepay 50% of the County's FY 2006-07 employer pension contribution to OCERS at a discounted rate. See Note 9, Short-Term Obligations, for more information.

Health Care Agency

- A \$9,038 increase in appropriations due mainly to the addition of 27 new positions and anticipated current year activities for the Proposition 63 MHSA Community Services and Support plan. Proposition 63 is intended to reduce the long-term adverse impact resulting from untreated serious mental illness.

**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 \$70,669 positive variance in the County General fund for the one-time payment from the State for an underpayment of Property Tax and VLF in FY 2004-05, as well as higher than anticipated revenue for secured property taxes, property transfer activity and supplemental property tax in lieu of VLF.

Charges for Services

- A \$6,076 negative variance in the HCA due to lower than anticipated revenue for mental health services.
- A \$17,532 negative variance in Resources and Development Management Department (RDMD) due to reduced expenditures from lower reimbursable indirect charges and less direct billable hours.

Transfers In

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

- A variance of \$25,794 in the Sheriff Department due to higher vacancies, credits for charges for law enforcement services and deferred spending for Homeland Security and other grants that will be transferred in the next fiscal year.
- A variance of \$27,230 in HCA transfers from Proposition 63 MHSA, SACPA and the Orange County Tobacco Settlement Fund because expenditures were lower than budgeted.

Bond Issuance Proceeds

- A negative variance of \$46,426 in the Prepaid Pension Obligation fund because the actual amount of the bond debt issuance was lower than the estimated amount.

### **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:

#### Capital Projects

- A \$55,322 positive variance due to the deferral of major capital projects to the next fiscal year, including the conversion of the Central Utility Facility to add cogeneration electrical, the construction of the parking structure at the Animal Care Facility, the repavement of various roadways at the Los Pinos Conservation Camp, the replacement of the fence at Juvenile Hall, the rehabilitation of the Central Justice Center and various maintenance projects for the Sheriff Department.

#### Health Care Agency

- A positive variance of \$39,465 due to lower than budgeted capital project costs and savings in human services contracts.

#### Sheriff-Coroner

- A \$15,262 positive variance due to maintaining a higher than budgeted vacancy factor and savings from lower health insurance costs.
- A \$11,278 positive variance due to lower than anticipated Homeland Security Grant related expenditures.

#### Social Services Agency

- A \$17,412 positive variance due to a lower than anticipated caseload for the California Work Opportunity and Responsibility to Kids (CalWORKS) program.
- A \$13,539 positive variance due to a decreased allocation for the California Work Integrated Network (CalWIN) Program causing spending reductions in professional services.

#### Resources and Development Management Department

- A \$2,418 positive variance due to salary and employee benefits savings from the deletion of long-term vacant positions and position freezes.
- A \$2,666 positive variance due to the reduction or delay of professional services expenditures in Planning and Development Services (PDS).
- A \$11,276 positive variance due to an increase in intra-agency services and supplies billing offsets from the PDS merger with RDMD.
- A \$2,935 positive variance due to an increase in intra-fund transfers from other General Fund agencies.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2006, the County's capital assets for both the governmental and business-type activities amounted to \$2,874,747 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 decrease in the County's investment in capital assets for the current year was 1% (a 2% decrease for governmental activities and a 1% decrease for business-type activities).



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

<b>CAPITAL ASSETS</b> (Net of Depreciation) June 30, 2006							
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Increase</b>
	<b>Activities</b>		<b>Activities</b>				<b>(Decrease)</b>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Land	\$ 575,715	\$ 567,243	\$ 34,108	\$ 34,108	\$ 609,823	\$ 601,351	1 %
Structures and Improvements	499,847	510,827	194,875	184,739	694,722	695,566	(1)%
Equipment	97,292	103,739	26,762	23,357	124,054	127,096	(2)%
Infrastructure	805,760	801,263	209,221	196,237	1,014,981	997,500	2 %
Construction in Progress	395,319	427,674	35,848	68,967	431,167	496,641	(13)%
<b>Total</b>	<b>\$ 2,373,933</b>	<b>\$ 2,410,746</b>	<b>\$ 500,814</b>	<b>\$ 507,408</b>	<b>\$ 2,874,747</b>	<b>\$ 2,918,154</b>	<b>(1)%</b>

The following lists the significant expenditures for capital assets in FY 2005-06:

General Fund

- \$7,686 for the construction of three new housing units for the Youth Leadership Academy at Juvenile Hall, which will increase the capacity to 120 beds.
- \$4,913 for the floor-by-floor refurbishment at the Central Justice Center.
- \$2,199 for the purchase of a helicopter for the Sheriff Department.
- \$1,156 for facility improvements for Animal Care Services.

Flood Control District

- \$5,623 for the Huntington Beach Channel improvement project.
- \$4,481 for land acquisitions for the Santa Ana River Prado Dam Project.

Waste Management

- \$6,224 for the Desilting Basin Improvement Project at the Prima Deshecha landfill.
- \$5,191 for the purchase of six tractors.
- \$4,561 for the expansion of the Frank R. Bowerman (FRB) Landfill.

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

Commitments for Capital Expenditures

At the end of FY 2005-06, significant commitments for capital expenditures included the following:

- \$276,000 for the Santa Ana River Mainstem Project.
- \$44,650 for land acquisition and structural improvement projects for the Flood Control District.
- \$17,766 to expand Laguna Canyon Road from State Route 73 to Interstate 405.
- \$5,764 for the O'Neill Park Sewer Conversion project to improve water quality.

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

### Short-Term Debt

The following summarizes the County's short-term debt activity during FY 2005-06:

Taxable Pension Obligation Bonds, Series 2006 On January 30, 2006, the County issued the 2006 POBs in the principal amount of \$105,991. The 2006 POBs were issued in order to prepay a portion of the County's FY 2006-07 actuarially required contribution rate related to amortization of unfunded actuarial accrued liability to OCERS. Additional information on the County's short-term debt activity can be found in Note 9, Short-Term Obligations.

### Long-Term Debt

At June 30, 2006, the County had a total debt obligation outstanding of \$1,066,393, excluding capital lease obligations, compensated absences and other liabilities. During the year, \$842,251 of the bonds, including \$805,905 of bankruptcy related debt, were retired and \$565,762 were added, which resulted in a net decrease of 21% 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 bonded debt limitation.

The following table summarizes the County's outstanding bonds at June 30, 2006:

LONG-TERM DEBT BOND OBLIGATIONS							
June 30, 2006							
	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	2006	2005	2006	2005	2006	2005	% Change
Revenue Bonds	\$ 673,655	\$ 261,180	\$ 165,225	\$ 181,240	\$ 838,880	\$ 442,420	90 %
Certificates of Participation	8,092	589,909	--	--	8,092	589,909	(99)%
Pension Obligation Bonds	99,714	111,772	--	--	99,714	111,772	(11)%
Recovery Bonds	131,631	210,705	--	--	131,631	210,705	(38)%
Add: Premium on Bonds Payable	34,112	5,009	3,422	4,210	37,534	9,219	307 %
Less: Deferred Amount on Refunding	(39,239)	(5,744)	(10,219)	(12,520)	(49,458)	(18,264)	171 %
<b>Total</b>	<b>\$ 907,965</b>	<b>\$ 1,172,831</b>	<b>\$ 158,428</b>	<b>\$ 172,930</b>	<b>1,066,393</b>	<b>\$ 1,345,761</b>	<b>(21)%</b>

The following summarizes the County's long-term debt issuance during FY 2005-06:

Lease Revenue Refunding Bonds, Series 2005 On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its \$419,756 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds) at a premium of \$19,973. The proceeds of the bonds, together with certain monies contributed by the County and other funds available to the trustee of the Recovery COPs, were used to (1) defease certain non-callable Recovery COPs, (2) refund the remaining COPs, (3) fund a debt service reserve fund for the Series 2005 Bonds, and (4) pay costs of issuance of the Series 2005 Bonds.

Refunding Recovery Bonds, 2005 Series A On August 18, 2005, the County issued its \$146,006 Refunding Recovery Bonds 2005 Series A (2005 Recovery Bonds) at a premium of \$9,317. The proceeds of the bonds, together with certain monies contributed by the County and other funds available to the trustee of the Recovery Bonds, were used to (1) refund and defease the outstanding Recovery Bonds, and (2) pay costs of issuance for the 2005 Recovery Bonds.

Additional information on the County's long-term debt activity can be found in Note 10, Long-Term Obligations.

**Bond Ratings**

The County continues to maintain the issuer ratings of Aa2 from Moody's Investors Service and A+ from Standard & Poor's (S&P). The 1995 Teeter Plan Revenue Bonds and the Orange County Development Agency (OCDA) 2003 Santa Ana Heights (SAH) Bonds are AAA insured from Fitch Ratings and S&P with a municipal bond insurance policy, but are not currently rated (NR indicates Not Rated).

In FY 2005-06, the following changes occurred in the County's underlying debt ratings as compared to the previous year:

- Issued 2005 Refunding Recovery Bonds with an A rating from S&P, Aa3 from Moody's and AA- from Fitch Ratings.
- Issued 2005 Lease Revenue Bonds with an A rating from S&P, A1 from Moody's and AA- from Fitch Ratings.
- Improved Fitch Ratings from A+ to AA- for the 1997 Airport Revenue Refunding Bonds.
- Changed Fitch Ratings from not rated to AA- for the 2003 Airport Revenue Refunding Bonds.

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

<b>LONG-TERM DEBT RATINGS</b>			
June 30, 2006			
	Standard and Poor's	Moody's	Fitch
2005 Refunding Recovery Bonds	A	Aa3	AA-
2005 Lease Revenue Bonds	A	A1	AA-
1991 Parking COPs	NR	A1	NR
OCDA Neighborhood Development and Preservation Project	A	A2	NR
2002 Lease Revenue Bonds	A	A1	AA-
OCDA 2003 SAH Bonds	NR	NR	NR
1996 Pension Obligation Bonds	NR	Aa2	NR
1997 Pension Obligation Bonds	NR	Aa2	AA-
1995 Teeter Plan Revenue Bonds	NR	NR	NR
2001 Lease Revenue Bonds	NR	A2	NR
Airport 1997 Revenue Refunding Bonds	A+	Aa3	AA-
Airport 2003 Revenue Refunding Bonds	A+	Aa3	AA-
Integrated Waste Management Department 1997 Revenue Refunding Bonds	NR	A2	A+

## **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 Legislation

The County of Orange will benefit from infrastructure bond measures passed during the November 7, 2006 general election. Proposition 1B, the transportation bond, included a \$62,000 direct subvention to the County for streets and roads. Orange County Transportation Authority projects will garner millions more for regional transportation projects and transit improvements in Orange County. The County of Orange will also benefit from \$500,000 in flood subventions approved in Proposition 1E and \$180,000 in Proposition 84. An additional \$45,000 is included in Proposition 84 to local government agencies for the Santa Ana River Parkway, with \$30,000 equally divided between projects in Orange, San Bernardino, and Riverside Counties. The County is also expected to compete in the housing bond.

On November 7, 2006, voters also approved Proposition 83, requiring individuals convicted of a felony sex offense that requires registration and prison sentence be monitored by Global Positioning System (GPS) while on parole and for the remainder of their life. The offender is required to pay fees covering the cost of GPS based on their ability to pay. The Legislative Analyst's Office (LAO) estimates that the cost to California could be in excess of \$100,000 annually, with costs that could continue to grow in subsequent years. The proposition does not address local government's role in GPS monitoring function after the offender has completed parole. It is therefore difficult to estimate the potential financial impact at this time. At present, the Federal Courts have issued a temporary restraining order against the implementation of Proposition 83 pending further judicial review of legal issues related to its requirements.

#### State Budget

Governor Schwarzenegger signed the final FY 2006-07 State Budget on June 30, 2006. Total spending is set at \$127,900,000 including a \$101,300,000 general fund budget. The budget reflects an improving revenue picture and spending increases of over 9%. The State general fund has a \$6,900,000 operating shortfall that is projected to continue in the range of \$4,500,000 to \$5,000,000 over the next two fiscal years. Regarding the impact of the State budget on local government, the California State Association of Counties (CSAC) reported that "California's 58 counties and their residents were treated fairly by the 2006-2007 state budget." Shortly after the release of the budget, CSAC highlighted the following features of the State budget:

- Increased funding for public-safety programs, including juvenile crime prevention and intervention, front-line enforcement services, mentally ill diversion programs, and local correctional officer training and methamphetamine abatement.
- A package of modifications to the CalWORKS program, California's welfare program, which will ensure that more families in California are working and moving toward self-sufficiency. The package provides counties with additional resources to assist these families.
- Funding augmentations for the Foster Care program and Child Welfare Services aimed at, among other things, improving outcomes and caseload reduction.
- Flood-Control subvention funding to ease the financial burden of urgent county flood protection maintenance.
- Payback of Proposition 42 funds to help counties make badly needed road repairs.
- Additional funding for Proposition 36, which steers non-violent drug offenders away from jail and into treatment.

Some of the more significant issues by program are listed below:

#### Public Safety

- Citizen's Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) funding is \$19,000 more than last year state-wide.
- Funding for Standards and Training for Corrections is \$19,500 state-wide.
- Funding for local emergency preparedness is \$46,000 state-wide.
- The Mentally Ill Offender Crime Reduction grant is funded at \$45,000 to curb recidivism for juvenile and adult mentally ill offenders. The grant would be made on a competitive award basis.

#### Health & Social Services

- Child Support County administration funding is increased by \$4,000.
- The State will fund the Child Support System Federal penalty associated with the delay in implementing the system state-wide.
- Realignment funding for social services programs is expected to grow by nearly 7%. Because of slow growing revenues, caseload growth has not been fully paid for the past two years.
- Prop 36 Substance Abuse Treatment funding is funded with a one-time grant at current levels: \$120,000 total including \$96,000 for cities and counties. Funding is accompanied by expectations for program reforms intended to improve outcomes and accountability. An additional \$25,000 is included for a new Substance Abuse Offender Treatment Program on a 9:1 state/county match.
- AB 3632 Mental Health Services to special education students is no longer a State-mandated program. \$66,000 is included to pay back claims for FY 2004-05 and FY 2005-06. An additional \$121,000 is included for current costs.
- The Governor proposes \$200,000 state-wide for enhanced ability to respond to natural and intentional disasters. The budget includes \$16,000 for local pandemic flu preparedness and response planning.
- Increased funding by \$22,600 for Medi-Cal program awareness, enrollment and retention could increase workload in SSA by 12 positions and provide an additional \$1,700 in State and Federal funding.
- County Medi-Cal program administration salary and overhead reimbursement is increased by \$12,100.
- In-Home Supportive Services (IHSS) funding is up 4.1% with caseload growth estimated at 6.4%. IHSS administration funding to the County could increase by about \$449 and require three additional positions with a minor increase in Net County Cost. Worker wages are funded at the current level.
- The CalWORKS package provides \$90,000 for program improvements to increase federal participation rates and \$140,000 for county programs based on the FY 2005-06 level.
- Foster Care is funded at \$75,000 above the May Revise level for foster care. There is \$98,000 to improve outcomes and reduce social worker caseload. There are increases for kinship care, transitional housing placement, dependency drug courts and adoption of hard to place foster children.

#### Infrastructure & Environmental Resources

- The budget includes \$242,000 per year for the FY 2003-04 and FY 2004-05 suspension of Proposition 42 funding for local streets and roads is included.
- After two years of suspended State Flood Control Subvention reimbursement, \$100,000 is included to pay local governments for the state's share of costs of federally authorized, locally sponsored flood control projects. The State Department of Water Resources anticipates that Orange County will receive \$21,600 over the next three years or a little over one-third of the total \$60,900 in claims pending approval. Up to \$50,000 more is planned to be claimed in the next year.
- Public Library Foundation Act funding is increased by \$7,000 for inter library loans.

#### General Government

- \$170,000 is included for the first two years of a 15-year repayment plan for SB-90 mandated cost reimbursement. There is also increased funding for FY 2006-07 claims.
- The Property Tax Administration grant continues to be suspended. It could be considered for implementation in FY 2007-08.

## Long-Term Financial Planning

### 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 the version of software deployed at the County, within the next three to five years. If the County does not take some action with the software 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 completed a strategic assessment to identify the County's business processes, developed a strategic-level needs assessment for these business processes, identified the problems with the current system in meeting the County's business needs, developed a business case for taking action, and identified and analyzed viable alternatives.

Based on the results and recommendations from the assessment, the Board of Supervisors authorized the CAPS Steering Committee to pursue an upgrade of the current CGI-AMS Advantage Financial and Procurement systems and to concurrently conduct a strategic assessment of Human Resource and Payroll functions in order to acquire the most appropriate solution set.

The County contracted with CGI, Inc. to conduct a Fit Analysis of their latest version of the Financial and Procurement software, Advantage 3.x. The primary objective of the Fit Analysis project is to determine the overall fit between the Advantage 3.x Financial/Purchasing capabilities and the County's system requirements for the following business functions: Chart of Accounts, General Accounting, Fixed Assets; Disbursements; Cost Accounting, Vendor Self Service, eCommerce (commodities purchases) and Contracts (professional services).

Other important objectives include:

- Quantify the level-of-effort and related costs to implement the upgrade
- Identify a technically capable and cost effective platform to run the systems
- Quantify the costs for operating the systems after implementation
- Develop a project plan, with required funding, for the upgrade implementation

The Fit Analysis is expected to be completed by March 2007 and will cost \$2,600, including County and Contractor staffing. Costs for the upgrade implementation are expected to range from \$10,000 to \$12,500 and will be more specifically determined during the Fit Analysis. Implementation of the first phase of the solution is expected to occur in July 2009.

The County is also currently in negotiations with a qualifying vendor for consulting services to assist the County in the development of a comprehensive vision related to its Human Resource and Payroll operations, to develop business requirements supporting the County's vision, to research and recommend one or more solutions that meet the stated requirements, and to assist in the sourcing of the appropriate solution set. The visioning and sourcing phase is expected to take one year at an approximate cost of \$1,000, including County and Contractor staffing. Implementation timeframes and associated costs of the solution set will depend on the solution(s) selected. Current estimates are for a two year implementation at a cost ranging from \$6,000 to \$8,000.

### Assessment Tax System Upgrade

The County's property tax assessment, collection and allocation system processes approximately \$5,500,000 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.

The County is currently conducting a Needs Assessment to document current business rules, identify opportunities for improvement, envision the future operational model and identify possible solutions and strategies for implementation. The Needs Assessment is expected to be completed by March 2007 and is expected to cost \$1,500 for consulting services. This will be followed by development and implementation of the replacement application and 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



*Orange County Ralph B. Clark Regional Park*





County of Orange  
 Comprehensive Annual Financial Report  
 June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents (Notes 1 and 3)	\$ 1,729,196	\$ 329,776	\$ 2,058,972	\$ 83,109
Restricted Cash and Cash Equivalents (Notes 1 and 3)	454,511	263,122	717,633	--
Investments (Notes 1 and 3)	5,703	16,232	21,935	69,295
Deposits In-Lieu of Cash	654	45,086	45,740	--
Internal Balances	16,467	(16,467)	--	--
Due from Component Unit (Note 6)	252	--	252	--
Due from Primary Government (Note 6)	--	--	--	40
Prepaid Costs (Notes 1 and 17)	281,021	3,094	284,115	--
Inventory of Materials and Supplies (Note 1)	1,326	--	1,326	--
Land and Improvements Held for Resale (Note 1)	1,255	--	1,255	--
Receivables, Net of Allowances (Note 5)				
Accounts	17,859	13,531	31,390	--
Taxes	27,447	--	27,447	7,242
Interest/Dividends	8,995	3,667	12,662	876
Deposits	10,446	--	10,446	--
Loans	1,963	--	1,963	--
Due from Other Governmental Agencies (Note 5)	252,344	2,171	254,515	8,815
Notes Receivable (Note 5)	23,526	--	23,526	--
Capital Assets (Notes 1 and 4)				
Not Depreciated	971,034	69,956	1,040,990	--
Depreciable (Net)	1,402,899	430,858	1,833,757	11
Total Capital Assets	<u>2,373,933</u>	<u>500,814</u>	<u>2,874,747</u>	<u>11</u>
Total Assets	<u>5,206,898</u>	<u>1,161,026</u>	<u>6,367,924</u>	<u>169,388</u>

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

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Accounts Payable	\$ 85,040	\$ 11,549	\$ 96,589	\$ 10,428
Salaries and Employee Benefits Payable	32,742	749	33,491	49
Interest Payable	16,861	214	17,075	--
Deposits from Others	75,696	47,699	123,395	--
Due to Primary Government (Note 6)	--	--	--	252
Due to Component Unit (Note 6)	40	--	40	--
Due to Other Governmental Agencies	45,869	2,111	47,980	6,211
Unearned Revenue	60,386	4,326	64,712	--
Estimated Liability - Litigation and Claims (Note 16)	2,028	--	2,028	--
Short-Term Bonds Payable (Note 9)	105,991	--	105,991	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 15)	51,250	--	51,250	--
Compensated Employee Absences Payable (Notes 1 and 10)	78,266	2,063	80,329	163
Capital Lease Obligations Payable (Notes 10 and 12)	4,849	--	4,849	--
Bonds Payable (Note 10)	74,266	15,623	89,889	--
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	937	937	--
Due in More than One Year				
Accreted Interest on Capital Accretion Bonds	98,666	--	98,666	--
Insurance Claims Payable (Notes 1 and 15)	88,399	--	88,399	--
Compensated Employee Absences Payable (Notes 1 and 10)	66,552	2,194	68,746	--
Arbitrage Rebate Payable (Note 10)	59	212	271	--
Capital Lease Obligations Payable (Notes 10 and 12)	96,697	--	96,697	--
Bonds Payable (Note 10)	833,699	142,805	976,504	--
Net Pension Obligation (Notes 10 and 17)	750	--	750	--
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	176,320	176,320	--
Total Liabilities	<u>1,818,106</u>	<u>406,802</u>	<u>2,224,908</u>	<u>17,103</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,306,178	343,390	2,649,568	11
Restricted for (Note 1):				
Expendable				
Capital Projects	255,201	--	255,201	--
Debt Service	121,840	--	121,840	--
Legally Segregated Special Revenue Funds Restricted for				
Grants and Other Purposes	738,515	--	738,515	--
Children and Families Commission of Orange County	--	--	--	152,274
Airport	--	146,332	146,332	--
Waste Management	--	264,502	264,502	--
Nonexpendable				
Regional Park Endowment	109	--	109	--
Unrestricted (Deficit) (Note 1)	<u>(33,051)</u>	<u>--</u>	<u>(33,051)</u>	<u>--</u>
Total Net Assets	<u>\$ 3,388,792</u>	<u>\$ 754,224</u>	<u>\$ 4,143,016</u>	<u>\$ 152,285</u>

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

Functions/Programs	Net Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 274,387	\$ (46,851)	\$ 38,645	\$ 96,208	\$ 18,094
Public Protection	942,308	30,688	275,703	459,262	76
Public Ways and Facilities	106,960	(1,618)	42,483	40,334	--
Health and Sanitation	459,891	7,749	79,493	270,605	--
Public Assistance	766,657	6,452	4,709	707,630	--
Education	39,763	689	1,353	23,131	8
Recreation and Cultural Services	71,078	1,457	34,974	7,893	--
Interest on Long-Term Debt	64,680	--	--	--	--
Total Governmental Activities	<u>2,725,724</u>	<u>(1,434)</u>	<u>477,360</u>	<u>1,605,063</u>	<u>18,178</u>
Business-Type Activities					
Airport	83,704	658	101,775	6,624	1,720
Waste Management	75,995	776	114,239	16,222	--
Total Business-Type Activities	<u>159,699</u>	<u>1,434</u>	<u>216,014</u>	<u>22,846</u>	<u>1,720</u>
Total Primary Government	<u>\$ 2,885,423</u>	<u>\$ --</u>	<u>\$ 693,374</u>	<u>\$ 1,627,909</u>	<u>\$ 19,898</u>
<b>Component Unit</b>					
Children and Families					
Commission of Orange County	\$ 43,165	\$ --	\$ 45	\$ 48,769	\$ --

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 8)

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**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
\$ (74,589)	\$ --	\$ (74,589)	
(237,955)	--	(237,955)	
(22,525)	--	(22,525)	
(117,542)	--	(117,542)	
(60,770)	--	(60,770)	
(15,960)	--	(15,960)	
(29,668)	--	(29,668)	
(64,680)	--	(64,680)	
<u>(623,689)</u>	<u>--</u>	<u>(623,689)</u>	
--	25,757	25,757	
--	53,690	53,690	
<u>--</u>	<u>79,447</u>	<u>79,447</u>	
<u>(623,689)</u>	<u>79,447</u>	<u>(544,242)</u>	
			<u>\$ 5,649</u>
271,925	--	271,925	
53,662	--	53,662	
39,869	--	39,869	
31,408	--	31,408	
26,580	--	26,580	
158,240	--	158,240	
50,676	--	50,676	
1,881	--	1,881	
56,873	--	56,873	
38,588	--	38,588	
66,239	3,016	69,255	436
11,435	(11,435)	--	--
<u>807,376</u>	<u>(8,419)</u>	<u>798,957</u>	<u>436</u>
183,687	71,028	254,715	6,085
3,205,105	683,196	3,888,301	146,200
<u>\$ 3,388,792</u>	<u>\$ 754,224</u>	<u>\$ 4,143,016</u>	<u>\$ 152,285</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 8)

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, 2006

	General Fund	Roads	Public Library	Tobacco Settlement
<b>ASSETS</b>				
Pooled Cash/Investments (Notes 1 and 3)	\$ 347,441	\$ 147,405	\$ 10,840	\$ 11,941
Imprest Cash Funds (Note 3)	1,225	--	53	--
Restricted Cash and Investments with Trustee (Note 3)	1,657	--	--	--
Investments (Notes 1 and 3)	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--
Receivables (Note 5)				
Accounts	9,066	3,206	356	--
Taxes (Note 1)	7,396	--	837	--
Interest/Dividends	2,768	642	110	6
Deposits	4,076	449	--	--
Loans	22	--	--	--
Allowance for Uncollectible Receivables	(77)	(11)	--	--
Due from Other Funds (Note 6)	48,439	1,047	34	--
Due from Component Unit (Note 6)	250	--	--	--
Due from Other Governmental Agencies	233,119	3,518	1	--
Inventory of Materials and Supplies (Note 1)	275	110	--	--
Prepaid Costs (Note 1)	114,948	--	--	--
Land and Improvements Held for Resale (Note 1)	--	--	--	--
Notes Receivables	--	--	--	--
Total Assets	<u>\$ 770,605</u>	<u>\$ 156,366</u>	<u>\$ 12,231</u>	<u>\$ 11,947</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 62,192	\$ 1,918	\$ 695	\$ --
Salaries and Employee Benefits Payable	29,425	348	558	--
Interest Accretion on Bonds Payable (Note 9)	2,278	--	--	--
Deposits from Others	2,692	44,408	2,705	--
Due to Other Funds (Note 6)	36,964	2,461	68	5,952
Due to Component Unit (Note 6)	--	--	--	--
Due to Other Governmental Agencies	25,643	1,080	213	--
Estimated Litigation and Claims (Note 16)	674	--	34	--
Deferred Revenue (Note 1)	113,972	--	600	--
Unearned Revenue (Note 1)	32,639	2,940	52	--
Bonds Payable (Note 9)	105,991	--	--	--
Total Liabilities	<u>412,470</u>	<u>53,155</u>	<u>4,925</u>	<u>5,952</u>
<b>Fund Balances</b>				
<b>Reserved for</b>				
Encumbrances	66,481	24,429	1,156	--
Long Term Receivables	--	--	--	--
Imprest Cash Funds	1,225	--	53	--
Inventory of Materials and Supplies	275	110	--	--
Loans	100	--	--	--
Prepaid Costs	1	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Debt Service	--	--	--	--
<b>Unreserved, Designated for, Reported in:</b>				
Operations	1,132	--	--	--
Operations (Strategic Plan)	109,295	--	--	--
Capital Projects	7,000	--	--	--
Contingencies	23,000	--	2,017	--
Administration Fees	--	--	--	--
Equipment Purchase	--	--	--	--
Equipment Replacement	--	--	--	--
Land Purchase	--	--	--	--
Revitalization Projects	--	--	--	--
Future Road Projects	--	56,582	--	--
Cash Difference Funds	9	--	--	--
General Reserve	--	--	--	--
<b>Unreserved, Undesignated for, Reported in:</b>				
General Fund	149,617	--	--	--
Special Revenue Funds	--	22,090	4,080	5,995
Debt Service Funds	--	--	--	--
Capital Projects Funds	--	--	--	--
Permanent Fund	--	--	--	--
Total Fund Balances	<u>358,135</u>	<u>103,211</u>	<u>7,306</u>	<u>5,995</u>
Total Liabilities and Fund Balances	<u>\$ 770,605</u>	<u>\$ 156,366</u>	<u>\$ 12,231</u>	<u>\$ 11,947</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 Public Protection	Other Governmental Funds	Total Governmental Funds	
\$ 234,273	\$ 75,964	\$ 217,467	\$ 457,170	\$ 1,502,501	<b>ASSETS</b>
--	--	5	8	1,291	Pooled Cash/Investments (Notes 1 and 3)
--	--	--	450,489	452,146	Imprest Cash Funds (Note 3)
--	--	--	5,703	5,703	Restricted Cash and Investments with Trustee (Note 3)
--	654	--	--	654	Investments (Notes 1 and 3)
1,555	1,690	1,208	581	17,662	Deposits In-Lieu of Cash
1,567	1,160	--	16,487	27,447	Receivables (Note 5)
894	359	681	2,267	7,727	Accounts
5,921	--	--	--	10,446	Taxes (Note 1)
50	1,883	8	--	1,963	Interest/Dividends
(9)	(6)	(4)	(3)	(110)	Deposits
1,430	243	23,446	16,016	90,655	Loans
--	--	--	--	250	Allowance for Uncollectible Receivables
1,318	3,850	1,951	7,740	251,497	Due from Other Funds (Note 6)
291	215	310	--	1,201	Due from Component Unit (Note 6)
--	--	--	791	115,739	Due from Other Governmental Agencies
--	--	--	1,255	1,255	Inventory of Materials and Supplies (Note 1)
--	--	--	23,526	23,526	Prepaid Costs (Note 1)
<u>\$ 247,290</u>	<u>\$ 86,012</u>	<u>\$ 245,072</u>	<u>\$ 982,030</u>	<u>\$ 2,511,553</u>	Land and Improvements Held for Resale (Note 1)
					Notes Receivables
					Total Assets
					<b>LIABILITIES AND FUND BALANCES</b>
					Liabilities
\$ 1,695	\$ 3,372	\$ 357	\$ 3,869	\$ 74,098	Accounts Payable
409	427	246	1,003	32,416	Salaries and Employee Benefits Payable
--	--	--	--	2,278	Interest Accretion on Bonds Payable (Note 9)
7,708	7,541	9,944	698	75,696	Deposits from Others
6,055	4,376	7,214	22,451	85,541	Due to Other Funds (Note 6)
--	--	--	40	40	Due to Component Unit (Note 6)
2,203	79	2,367	14,276	45,861	Due to Other Governmental Agencies
44	58	--	--	810	Estimated Litigation and Claims (Note 16)
2,053	4,681	1,283	7,446	130,035	Deferred Revenue (Note 1)
477	1,321	348	22,609	60,386	Unearned Revenue (Note 1)
--	--	--	--	105,991	Bonds Payable (Note 9)
<u>20,644</u>	<u>21,855</u>	<u>21,759</u>	<u>72,392</u>	<u>613,152</u>	Total Liabilities
					Fund Balances
54,286	17,012	1,345	12,236	176,945	Reserved for
--	--	--	32,624	32,624	Encumbrances
--	--	5	8	1,291	Long Term Receivables
291	215	310	--	1,201	Imprest Cash Funds
50	1,883	--	--	2,033	Inventory of Materials and Supplies
--	--	--	791	792	Loans
--	--	--	1,255	1,255	Prepaid Costs
--	--	--	446,031	446,031	Land and Improvements Held for Resale
--	10,020	33,010	25,424	69,586	Debt Service
--	--	--	--	109,295	Unreserved, Designated for, Reported in:
50,074	10,258	--	--	67,332	Operations
--	--	--	18,696	43,713	Operations (Strategic Plan)
--	--	--	8,933	8,933	Capital Projects
--	--	--	1,609	1,609	Contingencies
484	--	--	--	484	Administration Fees
35,768	--	--	--	35,768	Equipment Purchase
--	252	--	3,294	3,546	Equipment Replacement
--	--	--	--	56,582	Land Purchase
--	--	--	--	9	Revitalization Projects
12,609	--	--	17,075	29,684	Future Road Projects
--	--	--	--	149,617	Cash Difference Funds
73,084	24,517	188,643	95,999	414,408	General Reserve
--	--	--	5,323	5,323	Unreserved, Undesignated for, Reported in:
--	--	--	240,326	240,326	General Fund
--	--	--	14	14	Special Revenue Funds
<u>226,646</u>	<u>64,157</u>	<u>223,313</u>	<u>909,638</u>	<u>1,898,401</u>	Debt Service Funds
					Capital Projects Funds
<u>\$ 247,290</u>	<u>\$ 86,012</u>	<u>\$ 245,072</u>	<u>\$ 982,030</u>	<u>\$ 2,511,553</u>	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 \$1,490,391 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	\$	1,898,401
--	----	-----------

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	\$	575,715	
Structures and improvements		875,217	
Equipment		237,594	
Infrastructure		1,122,043	
Construction in Progress		394,414	
Accumulated depreciation		<u>(852,961)</u>	2,352,022

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

Prepaid costs		159,090	
Unamortized bond issuance cost		<u>6,192</u>	165,282

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.

107,197

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.

124,524



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.

5,511

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 \$1,264,145 which consisted of the following:

Bonds and COPs payable, net	(907,965)	
Compensated employee absences payable	(143,367)	
Capital lease obligations payable	(97,537)	
Arbitrage rebate payable	(59)	
Interest payable on bonds	(14,583)	
Interest accretion on capital appreciation bonds payable	(98,666)	
Estimated liability - litigation and claims	(1,218)	
Due to fiduciary fund for the County's net pension obligation for the Extra-Help Employees' Defined Benefit Retirement Plan	(750)	(1,264,145)
Net assets of governmental activities	\$	3,388,792

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	General Fund	Roads	Public Library	Tobacco Settlement	Refunding Bonds & Recovery COPs & Debt Prepayment
<b>Revenues</b>					
Taxes	\$ 466,514	\$ --	\$ 31,455	\$ --	\$ --
Licenses, Permits, and Franchises	7,845	362	107	--	--
Fines, Forfeitures and Penalties	44,857	8	9	--	--
Use of Money and Property	14,404	5,197	292	463	1,465
Intergovernmental	1,374,900	32,060	1,540	--	4,725
Charges for Services	338,718	13,441	1,177	--	--
Contributions from Property Owners	--	--	--	--	--
Other	43,425	2,117	367	28,237	500
<b>Total Revenues</b>	<b>2,290,663</b>	<b>53,185</b>	<b>34,947</b>	<b>28,700</b>	<b>6,690</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	168,951	--	--	11	--
Public Protection	832,915	--	--	--	--
Public Ways and Facilities	36,393	53,024	--	--	--
Health and Sanitation	458,690	--	--	--	--
Public Assistance	641,118	--	--	--	--
Education	--	--	30,957	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	31,408	9,798	776	--	--
<b>Debt Service</b>					
Principal Retirement	18,271	--	520	--	28,370
Debt Service Payment to Escrow Bond Agent	--	--	--	--	230,719
Interest	15,351	--	456	--	17,064
Debt Issuance Costs	1,159	--	--	--	460
<b>Total Expenditures</b>	<b>2,204,256</b>	<b>62,822</b>	<b>32,709</b>	<b>11</b>	<b>276,613</b>
Excess (Deficit) of Revenues Over Expenditures	86,407	(9,637)	2,238	28,689	(269,923)
<b>Other Financing Sources (Uses)</b>					
Transfers In (Note 8)	83,339	--	529	8	10,416
Transfers Out (Note 8)	(134,434)	--	--	(32,367)	(3,890)
Premium on Bonds Issued (Note 10)	9,317	--	--	--	--
Refunding Bonds Issued (Note 10)	146,006	--	--	--	--
Payment to Refunded Bond Escrow Agent	(154,238)	--	--	--	--
Capital Leases (Note 10)	396	--	--	--	--
<b>Net Change in Fund Balances</b>	<b>36,793</b>	<b>(9,637)</b>	<b>2,767</b>	<b>(3,670)</b>	<b>(263,397)</b>
Fund Balances - Beginning of Year	321,342	112,848	4,539	9,665	263,397
Fund Balances - End of Year	<u>\$ 358,135</u>	<u>\$ 103,211</u>	<u>\$ 7,306</u>	<u>\$ 5,995</u>	<u>\$ --</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 Public Protection	Other Governmental Funds	Total Governmental Funds	
\$ 53,755	\$ 39,937	\$ --	\$ 26,768	\$ 618,429	Revenues
98	307	8,464	828	18,011	Taxes
17	125	3,863	21,745	70,624	Licenses, Permits, and Franchises
9,999	31,196	11,081	26,110	100,207	Fines, Forfeitures and Penalties
7,299	2,302	39,587	152,071	1,614,484	Use of Money and Property
9,985	5,853	8,467	8,691	386,332	Intergovernmental
--	--	--	18,094	18,094	Charges for Services
2,773	876	8,599	3,827	90,721	Contributions from Property Owners
83,926	80,596	80,061	258,134	2,916,902	Other
					Total Revenues
--	--	--	134,865	303,827	Expenditures
48,119	--	29,473	24	910,531	Current
--	--	--	5,744	95,161	General Government
--	--	--	51	458,741	Public Protection
--	--	--	23,605	664,723	Public Ways and Facilities
--	--	--	9,104	40,061	Health and Sanitation
--	67,595	--	181	67,776	Public Assistance
14,628	7,618	2,849	32,442	99,519	Education
--	--	--	20,441	67,602	Recreation and Cultural Services
--	--	--	--	230,719	Capital Outlay
56	--	--	24,101	57,028	Debt Service
--	--	--	2,783	4,402	Principal Retirement
62,803	75,213	32,322	253,341	3,000,090	Debt Service Payment to Escrow Bond Agent
21,123	5,383	47,739	4,793	(83,188)	Interest
--	8,800	24,403	117,946	245,441	Debt Issuance Costs
(638)	--	(31,362)	(37,143)	(239,834)	Total Expenditures
--	--	--	19,973	29,290	Excess (Deficit) of Revenues
--	--	--	419,756	565,762	Over Expenditures
--	--	--	(414,171)	(568,409)	Other Financing Sources (Uses)
--	--	--	--	396	Transfers In (Note 8)
20,485	14,183	40,780	111,154	(50,542)	Transfers Out (Note 8)
206,161	49,974	182,533	798,484	1,948,943	Premium on Bonds Issued (Note 10)
\$ 226,646	\$ 64,157	\$ 223,313	\$ 909,638	\$ 1,898,401	Refunding Bonds Issued (Note 10)
					Payment to Refunded Bond Escrow Agent
					Capital Leases (Note 10)
					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 (\$ 50,542) in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$183,687 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	\$	(50,542)
--	----	----------

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, gain or losses from 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.

(33,532)

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, net of payments to escrow agents and principal payments, are reported as financing sources in governmental funds and thus contribute to the change in fund balance. These transactions do not have any effect on net assets in the government-wide financial statements. The details of the \$302,358 principal and other long-term liability payments and other financing sources are as follows:

Principal and other long-term liability payments:			
Bonds payable	\$	48,698	
Bonds payable - redemption		247,742	
Option B pool participant claims		800	
Capital lease obligations		5,039	
Arbitrage rebate payable		79	
		79	302,358

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

Government mandated and voluntary nonexchange revenues		(23,607)	
Property tax revenues		(16,502)	(40,109)

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

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds until paid. The following amounts represent the net effect of these differences in the treatment of long-term liabilities:

Accrued interest expense on bonds payable	8,265	
Amortization of deferred charges	(2,667)	
Debt redemption costs / premium	(25,095)	
Compensated employee absences expense	3,278	
Pension costs and amortization of the County's investment account with OCERS	6,624	
Accrued interest expense on capital lease	(396)	
Litigation and claims expense	162	
Interest accretion on capital appreciation bonds	<u>(12,793)</u>	(22,622)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telephone services, to individual governmental funds. The loss of Internal Service Funds is eliminated in the Statement of Activities as an adjustment to the various functions to arrive at a break-even basis. Also, general or non-program revenues and expenses of the Internal Service Funds are recorded in governmental activities.

		<u>28,134</u>
Change in net assets of governmental activities	\$	<u><u>183,687</u></u>

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	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 394,475	\$ 1,370	\$ 395,845
Licenses, Permits, and Franchises		7,580	--	7,580
Fines, Forfeitures and Penalties		37,820	201	38,021
Use of Money and Property		15,445	(358)	15,087
Intergovernmental Revenues		1,309,024	72,143	1,381,167
Charges for Services		367,948	(1,356)	366,592
Other Revenues		213,122	22,865	235,987
Transfers In		128,818	19,909	148,727
Premiums on Bonds Issued		--	9,317	9,317
Bond Issuance Proceeds		26,417	126,000	152,417
Proceeds of Refunding Bonds		--	146,006	146,006
Total Revenues and Other Financing Sources		<u>2,500,649</u>	<u>396,097</u>	<u>2,896,746</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
General Government:				
Assessor	\$ 402	31,785	--	32,187
Auditor-Controller	882	16,141	41	17,064
Board of Supervisors - 1st District	--	788	--	788
Board of Supervisors - 2nd District	--	776	--	776
Board of Supervisors - 3rd District	--	746	--	746
Board of Supervisors - 4th District	--	753	--	753
Board of Supervisors - 5th District	--	789	--	789
Capital Acquisition Financing	--	7,240	--	7,240
Capital Projects	22,064	50,183	6,815	79,062
Clerk of the Board	56	2,690	--	2,746
County Counsel	218	8,676	264	9,158
County Executive Office	1,184	18,199	(1,111)	18,272
Data Systems Development Project	1,339	14,995	681	17,015
Employee Benefits	14	2,152	--	2,166
Human Resources	23	2,365	1,372	3,760
Internal Audit	83	2,481	1	2,565
Miscellaneous	--	195,464	32,052	227,516
Prepaid Pension Obligation	--	--	126,000	126,000
Registrar of Voters	230	11,002	18,681	29,913
Treasurer-Tax Collector	23	14,234	251	14,508
Utilities	2,331	22,701	1,767	26,799
2005 Lease Revenue Refunding Bonds	--	70,086	11,101	81,187
2005 Refund Recovery Bonds	--	--	175,073	175,073
Public Protection:				
Alternate Defense	--	10,459	--	10,459
Child Support Services	104	55,139	218	55,461
Clerk-Recorder	359	10,240	286	10,885
Detention Release	3	1,512	--	1,515
District Attorney	1,126	81,098	4,623	86,847
Emergency Management Division	14	1,906	--	1,920
Grand Jury	3	536	--	539
Juvenile Justice Commission	--	187	3	190
Planning and Development Services Department	94	--	--	94
Probation	3,354	136,201	556	140,111
Public Administrator/Public Guardian	--	4,587	380	4,967
Public Defender	139	51,456	56	51,651
Sheriff-Coroner	10,218	425,609	750	436,577
Sheriff-Coroner Communications	140	9,746	--	9,886
Sheriff Court Operations	44	42,989	3,429	46,462
Trial Courts	433	73,701	--	74,134
Public Ways and Facilities:				
Resources and Development Management Department	2,133	59,442	(199)	61,376
Health and Sanitation:				
Health Care Agency	5,008	483,470	10,407	498,885
Watershed Management Program	2,627	15,199	220	18,046
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	217	112,811	(1,200)	111,828
Aid to Refugees	--	228	154	382
California Works Opportunities and Responsibility to Kids	--	110,190	500	110,690
Case Data System	--	--	--	--
Community Services Agency	392	14,153	195	14,740
General Relief	--	1,205	(300)	905
In-Home Supportive Services - IHSS	--	23,187	1,469	24,656
Social Services Agency	10,637	413,944	389	424,970
Total Expenditures/Encumbrances and Other Financing Uses	<u>65,894</u>	<u>2,613,441</u>	<u>394,924</u>	<u>3,074,259</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(65,894)	(112,792)	1,173	(177,513)
Fund Balances - Beginning of Year	--	105,000	--	105,000
Cancellation of Reserves/Designations	--	12,792	--	12,792
Fund Balance Reserved for Encumbrances	65,894	--	--	65,894
Provisions for Reserves and/or Designations	--	(5,000)	(1,173)	(6,173)
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 (See Note A)	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2006	Unspent/(Overspent) Appropriations	
\$ 466,514	\$ 70,669			<b>Revenues and Other Financing Sources</b>
7,845	265			Taxes
44,857	6,836			Licenses, Permits, and Franchises
14,404	(683)			Fines, Forfeitures and Penalties
1,374,900	(6,267)			Use of Money and Property
338,718	(27,874)			Intergovernmental Revenues
232,897	(3,090)			Charges for Services
83,339	(65,388)			Other Revenues
9,317	--			Transfers In
105,991	(46,426)			Premiums on Bonds Issued
146,006	--			Bond Issuance Proceeds
<u>2,824,788</u>	<u>(71,958)</u>			Proceeds of Refunding Bonds
				Total Revenues and Other Financing Sources
				<b>Expenditures/Encumbrances and Other Financing Uses</b>
				General Government:
28,986	3,201	\$ 321	\$ 2,880	Assessor
15,449	1,615	1,266	349	Auditor-Controller
756	32	--	32	Board of Supervisors - 1st District
741	35	--	35	Board of Supervisors - 2nd District
730	16	--	16	Board of Supervisors - 3rd District
683	70	1	69	Board of Supervisors - 4th District
746	43	--	43	Board of Supervisors - 5th District
6,784	456	--	456	Capital Acquisition Financing
20,715	58,347	15,584	42,763	Capital Projects
2,553	193	82	111	Clerk of the Board
7,239	1,919	338	1,581	County Counsel
13,170	5,102	1,147	3,955	County Executive Office
14,795	2,220	1,654	566	Data Systems Development Project
1,349	817	25	792	Employee Benefits
3,065	695	177	518	Human Resources
2,320	245	45	200	Internal Audit
219,575	7,941	--	7,941	Miscellaneous
105,952	20,048	--	20,048	Prepaid Pension Obligation
26,369	3,544	891	2,653	Registrar of Voters
13,562	946	140	806	Treasurer-Tax Collector
21,142	5,657	1,777	3,880	Utilities
80,501	686	--	686	2005 Lease Revenue Refunding Bonds
175,011	62	--	62	2005 Refund Recovery Bonds
				Public Protection:
9,931	528	--	528	Alternate Defense
53,816	1,645	122	1,523	Child Support Services
8,593	2,292	840	1,452	Clerk-Recorder
1,463	52	3	49	Detention Release
86,084	763	870	(107)	District Attorney
1,081	839	15	824	Emergency Management Division
501	38	--	38	Grand Jury
190	--	--	--	Juvenile Justice Commission
29	65	--	65	Planning and Development Services Department
133,465	6,646	4,781	1,865	Probation
4,550	417	18	399	Public Administrator/Public Guardian
48,107	3,544	252	3,292	Public Defender
402,224	34,353	8,707	25,646	Sheriff-Coroner
9,334	552	460	92	Sheriff-Coroner Communications
43,031	3,431	93	3,338	Sheriff Court Operations
69,079	5,055	332	4,723	Trial Courts
				Public Ways and Facilities:
36,705	24,671	2,364	22,307	Resources and Development Management Department
				Health and Sanitation:
451,316	47,569	7,086	40,483	Health Care Agency
14,812	3,234	809	2,425	Watershed Management Program
				Public Assistance:
105,660	6,168	1,263	4,905	Aid to Families with Dependent Children - Foster Care
380	2	--	2	Aid to Refugees
106,252	4,438	--	4,438	California Works Opportunities and Responsibility to Kids
-	--	--	--	Case Data System
13,821	919	110	809	Community Services Agency
742	163	--	163	General Relief
22,454	2,202	--	2,202	In-Home Supportive Services - IHSS
399,079	25,891	14,908	10,983	Social Services Agency
<u>2,784,892</u>	<u>289,367</u>	<u>\$ 66,481</u>	<u>\$ 222,886</u>	Total Expenditures/Encumbrances and Other Financing Uses
				Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses
39,896	<u>\$ 217,409</u>			Fund Balances - Beginning of Year
321,342				Cancellation of Reserves/Designations
(211,621)				Fund Balance Reserved for Encumbrances
66,481				Provisions for Reserves and/or Designations
142,037				Fund Balances - End of Year
<u>\$ 358,135</u>				

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	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues</b>				
Licenses, Permits, and Franchises		\$ 329	\$ --	\$ 329
Fines, Forfeitures and Penalties		17	--	17
Use of Money and Property		1,800	--	1,800
Intergovernmental Revenues		35,192	4,000	39,192
Charges for Services		17,398	--	17,398
Other Revenues		18,517	1,000	19,517
Total Revenues		<u>73,253</u>	<u>5,000</u>	<u>78,253</u>
<b>Expenditures/Encumbrances</b>				
Public Ways and Facilities:				
Roads	\$ 34,374	73,148	1,000	108,522
Foothill Circulation Phasing Plan	5,397	11,987	(212)	17,172
Total Expenditures/Encumbrances	<u>39,771</u>	<u>85,135</u>	<u>788</u>	<u>125,694</u>
Excess (Deficit) of Revenues				
Over Expenditures/Encumbrances	(39,771)	(11,882)	4,212	(47,441)
Fund Balances - Beginning of Year	--	1,769	--	1,769
Cancellation of Reserves/Designations	--	10,113	--	10,113
Fund Balance Reserved for Encumbrances	39,771	--	--	39,771
Provisions for Reserves and/or Designations	--	--	(4,212)	(4,212)
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, 2006	Unspent Appropriations
\$ 362	\$ 33		
8	(9)		
5,197	3,397		
32,060	(7,132)		
13,441	(3,957)		
2,117	(17,400)		
<u>53,185</u>	<u>(25,068)</u>		
59,372	49,150	\$ 22,386	\$ 26,764
3,450	13,722	2,043	11,679
<u>62,822</u>	<u>62,872</u>	<u>\$ 24,429</u>	<u>\$ 38,443</u>
(9,637)	<u>\$ 37,804</u>		
112,848			
(81,121)			
24,429			
56,692			
<u>\$ 103,211</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, 2006

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 29,555	\$ 1,357	\$ 30,912
Licenses, Permits, and Franchises		3,274	(54)	3,220
Fines, Forfeitures and Penalties		8	--	8
Use of Money and Property		89	628	717
Intergovernmental Revenues		1,268	5,709	6,977
Charges for Services		1,209	--	1,209
Other Revenues		263	6,321	6,584
Transfers In		--	3,930	3,930
Total Revenues and Other Financing Sources		<u>35,666</u>	<u>17,891</u>	<u>53,557</u>
<b>Expenditures/Encumbrances</b>				
Education:				
Public Library - Capital	\$ 723	3,476	1,790	5,989
Public Library	505	32,551	2,889	35,945
Total Expenditures/Encumbrances	<u>1,228</u>	<u>36,027</u>	<u>4,679</u>	<u>41,934</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances	(1,228)	(361)	13,212	11,623
Fund Balances - Beginning of Year	--	361	--	361
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	1,228	--	--	1,228
Provisions for Reserves and/or Designations	--	--	(13,212)	(13,212)
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, 2006	Unspent Appropriations																																					
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">31,455</td><td style="width: 10px;">\$</td><td style="width: 100px;">543</td></tr> <tr><td></td><td>107</td><td></td><td>(3,113)</td></tr> <tr><td></td><td>9</td><td></td><td>1</td></tr> <tr><td></td><td>292</td><td></td><td>(425)</td></tr> <tr><td></td><td>1,540</td><td></td><td>(5,437)</td></tr> <tr><td></td><td>1,177</td><td></td><td>(32)</td></tr> <tr><td></td><td>367</td><td></td><td>(6,217)</td></tr> <tr><td></td><td>529</td><td></td><td>(3,401)</td></tr> <tr><td></td><td><u>35,476</u></td><td></td><td><u>(18,081)</u></td></tr> </table>	\$	31,455	\$	543		107		(3,113)		9		1		292		(425)		1,540		(5,437)		1,177		(32)		367		(6,217)		529		(3,401)		<u>35,476</u>		<u>(18,081)</u>				<p><b>Revenues and Other Financing Sources</b></p> <ul style="list-style-type: none"> <li>Taxes</li> <li>Licenses, Permits, and Franchises</li> <li>Fines, Forfeitures and Penalties</li> <li>Use of Money and Property</li> <li>Intergovernmental Revenues</li> <li>Charges for Services</li> <li>Other Revenues</li> <li>Transfers In</li> <li style="padding-left: 20px;">Total Revenues and Other Financing Sources</li> </ul>
\$	31,455	\$	543																																					
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<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">743</td><td style="width: 10px;">\$</td><td style="width: 100px;">5,246</td><td style="width: 10px;">\$</td><td style="width: 100px;">289</td><td style="width: 10px;">\$</td><td style="width: 100px;">4,957</td></tr> <tr><td></td><td>31,966</td><td></td><td>3,979</td><td></td><td>867</td><td></td><td>3,112</td></tr> <tr><td></td><td><u>32,709</u></td><td></td><td><u>9,225</u></td><td></td><td><u>1,156</u></td><td></td><td><u>8,069</u></td></tr> </table>		743	\$	5,246	\$	289	\$	4,957		31,966		3,979		867		3,112		<u>32,709</u>		<u>9,225</u>		<u>1,156</u>		<u>8,069</u>				<p><b>Expenditures/Encumbrances</b></p> <p>Education:</p> <ul style="list-style-type: none"> <li>Public Library - Capital</li> <li>Public Library</li> <li style="padding-left: 20px;">Total Expenditures/Encumbrances</li> <li style="padding-left: 20px;">Excess (Deficit) of Revenues and Other Financing Sources</li> <li style="padding-left: 20px;">Over Expenditures/Encumbrances</li> </ul>												
	743	\$	5,246	\$	289	\$	4,957																																	
	31,966		3,979		867		3,112																																	
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<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">2,767</td><td style="width: 10px;">\$</td><td style="width: 100px;"><u>(8,856)</u></td></tr> </table>		2,767	\$	<u>(8,856)</u>				<ul style="list-style-type: none"> <li>Fund Balances - Beginning of Year</li> <li>Cancellation of Reserves/Designations</li> <li>Fund Balance Reserved for Encumbrances</li> <li>Provisions for Reserves and/or Designations</li> <li>Fund Balances - End of Year</li> </ul>																																
	2,767	\$	<u>(8,856)</u>																																					
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">4,539</td><td style="width: 10px;"></td><td style="width: 100px;"></td></tr> <tr><td></td><td>(3,226)</td><td></td><td></td></tr> <tr><td></td><td>1,156</td><td></td><td></td></tr> <tr><td></td><td>2,070</td><td></td><td></td></tr> <tr><td></td><td><u>\$ 7,306</u></td><td></td><td></td></tr> </table>		4,539				(3,226)				1,156				2,070				<u>\$ 7,306</u>																						
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County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

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	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Use of Money and Property		\$ 30	\$ --	\$ 30
Other Revenues		30,861	--	30,861
Transfers In		--	--	--
Total Revenues and Other Financing Sources		<u>30,891</u>	<u>--</u>	<u>30,891</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
General Government:				
Orange County Tobacco Settlement Fund	\$ --	37,099	1,241	38,340
Tobacco Settlement Funds	--	2,190	25	2,215
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>39,289</u>	<u>1,266</u>	<u>40,555</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(8,398)	(1,266)	(9,664)
Fund Balances - Beginning of Year	--	7,559	--	7,559
Cancellation of Reserves/Designations	--	839	1,266	2,105
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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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, 2006	Unspent Appropriations
\$ 463	\$ 433		
28,237	(2,624)		
8	8		
<u>28,708</u>	<u>(2,183)</u>		
31,515	6,825	\$ --	\$ 6,825
863	1,352	--	1,352
<u>32,378</u>	<u>8,177</u>	<u>\$ --</u>	<u>\$ 8,177</u>
(3,670)	<u>\$ 5,994</u>		
9,665			
--			
<u>\$ 5,995</u>			

**Revenues and Other Financing Sources**

Use of Money and Property  
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  
Fund Balances - End of Year

County of Orange  
 Comprehensive Annual Financial Report  
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	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues</b>				
Taxes		\$ 49,764	\$ --	\$ 49,764
Licenses, Permits, and Franchises		257	--	257
Fines, Forfeitures and Penalties		15	--	15
Use of Money and Property		2,891	--	2,891
Intergovernmental Revenues		7,553	--	7,553
Charges for Services		7,573	--	7,573
Other Revenues		1,606	--	1,606
Total Revenues		69,659	--	69,659
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Public Protection:				
Flood Control District	\$ 15,203	82,882	22,606	120,691
Santa Ana River Environmental Enhancement	2	36	199	237
Flood Control District - Capital	2,873	45,026	7,306	55,205
Total Expenditures/Encumbrances and Other Financing Uses	18,078	127,944	30,111	176,133
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(18,078)	(58,285)	(30,111)	(106,474)
Fund Balances - Beginning of Year	--	27,034	--	27,034
Cancellation of Reserves/Designations	--	41,519	--	41,519
Fund Balance Reserved for Encumbrances	18,078	--	--	18,078
Provisions for Reserves and/or Designations	--	(10,268)	30,111	19,843
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --

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, 2006	Unspent Appropriations																																	
<table border="0" style="width: 100%;"> <tr><td style="width: 10%;">\$</td><td style="width: 40%;">53,755</td><td style="width: 10%;">\$</td><td style="width: 40%;">3,991</td></tr> <tr><td></td><td>98</td><td></td><td>(159)</td></tr> <tr><td></td><td>17</td><td></td><td>2</td></tr> <tr><td></td><td>9,999</td><td></td><td>7,108</td></tr> <tr><td></td><td>7,299</td><td></td><td>(254)</td></tr> <tr><td></td><td>9,985</td><td></td><td>2,412</td></tr> <tr><td></td><td>2,773</td><td></td><td>1,167</td></tr> <tr style="border-top: 1px solid black;"><td></td><td>83,926</td><td></td><td>14,267</td></tr> </table>	\$	53,755	\$	3,991		98		(159)		17		2		9,999		7,108		7,299		(254)		9,985		2,412		2,773		1,167		83,926		14,267				<p><b>Revenues</b></p> <ul style="list-style-type: none"> <li>Taxes</li> <li>Licenses, Permits, and Franchises</li> <li>Fines, Forfeitures and Penalties</li> <li>Use of Money and Property</li> <li>Intergovernmental Revenues</li> <li>Charges for Services</li> <li>Other Revenues</li> <li style="padding-left: 20px;">Total Revenues</li> </ul>
\$	53,755	\$	3,991																																	
	98		(159)																																	
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<table border="0" style="width: 100%;"> <tr><td style="width: 10%;"></td><td style="width: 40%;">50,774</td><td style="width: 10%;">\$</td><td style="width: 40%;">29,142</td></tr> <tr><td></td><td>14</td><td></td><td>--</td></tr> <tr style="border-top: 1px solid black;"><td></td><td>12,653</td><td></td><td>25,144</td></tr> <tr style="border-top: 1px solid black;"><td></td><td>63,441</td><td style="border-top: 1px solid black;">\$</td><td style="border-top: 1px solid black;">54,286</td></tr> <tr style="border-top: 1px solid black;"><td></td><td>20,485</td><td style="border-top: 1px solid black;">\$</td><td style="border-top: 1px solid black;">126,959</td></tr> </table>		50,774	\$	29,142		14		--		12,653		25,144		63,441	\$	54,286		20,485	\$	126,959		<table border="0" style="width: 100%;"> <tr><td style="width: 10%;">\$</td><td style="width: 40%;">40,775</td></tr> <tr><td></td><td>223</td></tr> <tr style="border-top: 1px solid black;"><td></td><td>17,408</td></tr> <tr style="border-top: 1px solid black;"><td></td><td>58,406</td></tr> </table>	\$	40,775		223		17,408		58,406	<p><b>Expenditures/Encumbrances and Other Financing Uses</b></p> <ul style="list-style-type: none"> <li>Public Protection: <ul style="list-style-type: none"> <li>Flood Control District</li> <li>Santa Ana River Environmental Enhancement</li> <li>Flood Control District - Capital</li> </ul> </li> <li>Total Expenditures/Encumbrances and Other Financing Uses</li> <li>Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses</li> </ul>					
	50,774	\$	29,142																																	
	14		--																																	
	12,653		25,144																																	
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<table border="0" style="width: 100%;"> <tr><td style="width: 10%;">206,161</td><td style="width: 40%;"></td><td style="width: 10%;"></td><td style="width: 40%;"></td></tr> <tr><td>(153,562)</td><td></td><td></td><td></td></tr> <tr><td>54,286</td><td></td><td></td><td></td></tr> <tr><td>99,276</td><td></td><td></td><td></td></tr> <tr style="border-top: 1px solid black;"><td>\$</td><td>226,646</td><td></td><td></td></tr> </table>	206,161				(153,562)				54,286				99,276				\$	226,646				<ul style="list-style-type: none"> <li>Fund Balances - Beginning of Year</li> <li>Cancellation of Reserves/Designations</li> <li>Fund Balance Reserved for Encumbrances</li> <li>Provisions for Reserves and/or Designations</li> <li>Fund Balances - End of Year</li> </ul>														
206,161																																				
(153,562)																																				
54,286																																				
99,276																																				
\$	226,646																																			

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Budget Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Taxes		\$ 36,375	\$ --	\$ 36,375
Licenses, Permits, and Franchises		259	--	259
Fines, Forfeitures and Penalties		168	--	168
Use of Money and Property		28,583	7	28,590
Intergovernmental Revenues		18,292	686	18,978
Charges for Services		7,077	--	7,077
Other Revenues		4,032	941	4,973
Transfers In		2,045	13,494	15,539
Total Revenues and Other Financing Sources		<u>96,831</u>	<u>15,128</u>	<u>111,959</u>
<b>Expenditures/Encumbrances</b>				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	\$ 517	4,987	4	5,508
County Tidelands - Dana Point	2,315	26,493	1,472	30,280
Harbors, Beaches, and Parks	10,171	71,209	9,121	90,501
Harbors, Beaches, and Parks Capital	--	--	12,969	12,969
Dana Point DBW Loan Reserve	--	--	405	405
Total Expenditures/Encumbrances	<u>13,003</u>	<u>102,689</u>	<u>23,971</u>	<u>139,663</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances	(13,003)	(5,858)	(8,843)	(27,704)
Fund Balances - Beginning of Year	--	5,910	--	5,910
Cancellation of Reserves/Designations	--	12,127	--	12,127
Fund Balance Reserved for Encumbrances	13,003	--	--	13,003
Provisions for Reserves and/or Designations	--	(12,179)	8,843	(3,336)
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, 2006	Unspent Appropriations	
\$ 39,937	\$ 3,562			<b>Revenues and Other Financing Sources</b>
307	48			Taxes
125	(43)			Licenses, Permits, and Franchises
31,196	2,606			Fines, Forfeitures and Penalties
2,302	(16,676)			Use of Money and Property
5,853	(1,224)			Intergovernmental Revenues
876	(4,097)			Charges for Services
8,800	(6,739)			Other Revenues
<u>89,396</u>	<u>(22,563)</u>			Transfers In
				Total Revenues and Other Financing Sources
				<b>Expenditures/Encumbrances</b>
				Recreation and Cultural Services:
3,137	2,371	\$ 457	\$ 1,914	County Tidelands - Newport Bay
17,554	12,726	3,834	8,892	County Tidelands - Dana Point
54,443	36,058	6,794	29,264	Harbors, Beaches, and Parks
79	12,890	5,927	6,963	Harbors, Beaches, and Parks Capital
--	405	--	405	Dana Point DBW Loan Reserve
<u>75,213</u>	<u>64,450</u>	<u>\$ 17,012</u>	<u>\$ 47,438</u>	Total Expenditures/Encumbrances
				Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances
14,183	<u>\$ 41,887</u>			
49,974				Fund Balances - Beginning of Year
(39,640)				Cancellation of Reserves/Designations
17,012				Fund Balance Reserved for Encumbrances
22,628				Provisions for Reserves and/or Designations
<u>\$ 64,157</u>				Fund Balances - End of Year

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget
<b>Revenues and Other Financing Sources</b>				
Licenses, Permits, and Franchises		\$ 9,560	\$ 1	\$ 9,561
Fines, Forfeitures and Penalties		2,385	--	2,385
Use of Money and Property		5,116	118	5,234
Intergovernmental Revenues		12,514	23,829	36,343
Charges for Services		9,948	3,534	13,482
Other Revenues		8,531	1,027	9,558
Transfers In		7,811	11,336	19,147
Total Revenues and Other Financing Sources		<u>55,865</u>	<u>39,845</u>	<u>95,710</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Public Protection:				
Orange County Pro-Active				
Methamphetamine Laboratory				
Investigation Team	\$ --	1,193	(100)	1,093
County Automated Fingerprint				
Identification	5	872	90	967
Building and Safety	508	12,767	(693)	12,582
Narcotic Forfeiture and Seizure	5	398	31	434
Sheriff-Regional Narcotics				
Suppression Program	13	4,262	1,253	5,528
Motor Vehicle Theft Task Force	4	3,067	85	3,156
Clerk Recorder Special Revenue	--	1,225	286	1,511
Proposition 64 - Consumer Protection	--	910	6	916
Proposition 69 - DNA Identification	--	500	143	643
Bioterrorism CDC Fund	--	--	3,455	3,455
Traffic Violator	--	1,751	106	1,857
Childrens' Waiting Room	--	651	34	685
Sheriff Narcotics Program	2	1,426	35	1,463
Orange County Jail	--	1,756	209	1,965
Sheriff's State Criminal Alien				
Assistance Program	--	13,373	(2,543)	10,830
Substance Abuse/Crime Prevention	--	--	9,732	9,732
County Public Safety Sales Tax				
Excess Revenues	--	76,727	22,879	99,606
California Automated Fingerprint				
Identification Operational Costs	--	1,198	(28)	1,170
California Automated Fingerprint				
Identification Systems Costs	29	10,762	1,845	12,636
Sheriff's Supplemental Law				
Enforcement Services	--	1,035	876	1,911
District Attorney's Supplemental				
Law Enforcement Services	--	878	5	883
Local Law Enforcement Block Grant	--	11	6	17
Sheriff-Coroner Replacement				
and Maintenance	--	4,064	7,499	11,563
Ward Welfare	2	109	(4)	107
Court Facilities	292	3,174	31	3,497
Sheriff's Substations Fee Program	83	7,058	8	7,149
Jail Commissary	10	6,533	788	7,331
Inmate Welfare	105	7,279	4,041	11,425
Child Support Program Development	--	--	4,037	4,037
800 MHz County-Wide Coordinated				
Communications System	2,582	8,212	(4,859)	5,935
Delta Special Revenue	--	59	6	65
Total Expenditures/Encumbrances and Other Financing Uses	<u>3,640</u>	<u>171,250</u>	<u>49,259</u>	<u>224,149</u>
Excess (Deficit) of Revenues and Other Financing Uses				
Over Expenditures/Encumbrances and Other Financing Uses	(3,640)	(115,385)	(9,414)	(128,439)
Fund Balances - Beginning of Year				
	--	121,319	--	121,319
Cancellation of Reserves/Designations				
	--	--	--	--
Fund Balance Reserved for Encumbrances				
	3,640	--	--	3,640
Provisions for Reserves and/or Designations				
	--	(5,934)	9,414	3,480
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  
Other Public Protection  
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis (See Note A)	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2006	Unspent Appropriations	
\$ 8,464	\$ (1,097)			<b>Revenues and Other Financing Sources</b>
3,821	1,436			Licenses, Permits, and Franchises
11,073	5,839			Fines, Forfeitures and Penalties
39,587	3,244			Use of Money and Property
8,467	(5,015)			Intergovernmental Revenues
8,599	(959)			Charges for Services
24,403	5,256			Other Revenues
<u>104,414</u>	<u>8,704</u>			Transfers In
				Total Revenues and Other Financing Sources
				<b>Expenditures/Encumbrances and Other Financing Uses</b>
				Public Protection:
				Orange County Pro-Active
				Methamphetamine Laboratory
1,081	12	\$ --	\$ 12	Investigation Team
				County Automated Fingerprint
802	165	15	150	Identification
9,921	2,661	399	2,262	Building and Safety
226	208	5	203	Narcotic Forfeiture and Seizure
				Sheriff-Regional Narcotics
3,523	2,005	47	1,958	Suppression Program
2,272	884	3	881	Motor Vehicle Theft Task Force
1,152	359	--	359	Clerk Recorder Special Revenue
2	914	--	914	Proposition 64 - Consumer Protection
333	310	--	310	Proposition 69 - DNA Identification
2,739	716	--	716	Bioterrorism CDC Fund
432	1,425	--	1,425	Traffic Violator
249	436	--	436	Childrens' Waiting Room
287	1,176	20	1,156	Sheriff Narcotics Program
1,202	763	--	763	Orange County Jail
				Sheriff's State Criminal Alien
2,149	8,681	--	8,681	Assistance Program
8,874	858	--	858	Substance Abuse/Crime Prevention
				County Public Safety Sales Tax
12,870	86,736	--	86,736	Excess Revenues
				California Automated Fingerprint
1	1,169	--	1,169	Identification Operational Costs
				California Automated Fingerprint
75	12,561	4	12,557	Identification Systems Costs
				Sheriff's Supplemental Law
1,044	867	--	867	Enforcement Services
				District Attorney's Supplemental
861	22	--	22	Law Enforcement Services
17	--	--	--	Local Law Enforcement Block Grant
				Sheriff-Coroner Replacement
70	11,493	--	11,493	and Maintenance
78	29	--	29	Ward Welfare
719	2,778	447	2,331	Court Facilities
5	7,144	--	7,144	Sheriff's Substations Fee Program
5,953	1,378	11	1,367	Jail Commissary
4,017	7,408	92	7,316	Inmate Welfare
1	4,036	--	4,036	Child Support Program Development
				800 MHz County-Wide Coordinated
2,728	3,207	302	2,905	Communications System
1	64	--	64	Delta Special Revenue
<u>63,684</u>	<u>160,465</u>	<u>\$ 1,345</u>	<u>\$ 159,120</u>	Total Expenditures/Encumbrances
				and Other Financing Uses
				Excess (Deficit) of Revenues
				and Other Financing Uses
				Over Expenditures/Encumbrances
				and Other Financing Uses
40,730	<u>\$ 169,169</u>			
182,533				Fund Balances - Beginning of Year
(34,620)				Cancellation of Reserves/Designations
1,345				Fund Balance Reserved for Encumbrances
33,325				Provisions for Reserves and/or Designations
<u>\$ 223,313</u>				Fund Balances - End of Year

**BUDGETARY COMPARISON STATEMENT  
 RECONCILIATION OF THE GENERAL FUND AND MAJOR SPECIAL REVENUE FUND  
 (Dollar Amounts in Thousands)**

**Note A - Explanation of Differences between Budgetary Revenues and Other Financing Sources and Expenditures/  
 Encumbrances and Other Financing Uses and GAAP Revenues, Expenditures, and Other Financing Sources (Uses).**

	General Fund	Other Public Protection
<b>Revenues and Other Financing Sources</b>		
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements.	\$ 2,824,788	\$ 104,414
Differences-budget to GAAP:		
<i>Bond Issuance Proceeds</i> that were reported on the Budgetary Comparison Statement as an <i>other financing source</i> are reported as a fund level liability for GAAP financial statements.	(105,991)	--
The County bills departments for their portion of the annual required contribution to Orange County Employees Retirement System (OCERS) and reports such billings as other revenues on a budgetary basis.	(192,193)	--
The County does not budget for the net present value of the minimum lease payments at the inception of a capital lease, while GAAP requires it to be treated as an <i>other financing source</i> in the financial statements.	396	--
Revenue reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for the non-budgeted reclassification of the Premium Demutualization Asset from the General Fund to the Life Insurance ISF Fund. (Note 1)	2,721	--
Revenue reported in the Statement of Revenues, Expenditures and Changes in Fund Balance for non-budgeted funds are excluded from the Budgetary Comparison Statements.	--	50
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 2,529,721	\$ 104,464
<b>Expenditures/Encumbrances and Other Financing Uses</b>		
Actual expenditures reported in the Budgetary Comparison Statements	\$ 2,784,892	\$ 63,684
Differences-budget to GAAP:		
Accreted interest for the 2006 Pension Obligation Bonds is reported as an expenditure in accordance with GAAP, but is not reported in the Budgetary Comparison Statement.	2,278	--
The prepaid pension costs were reported in the Budgetary Comparison Statement for the General Fund in the Miscellaneous Agency. For the GAAP financial statements, the prepaid pension costs were recorded as a Prepaid Cost.	(105,840)	--
The County budgets the payments of its annual required contribution to OCERS as a general government miscellaneous budgetary expenditure. Pension contribution have already been charged to departments.	(192,193)	--
Expenditures reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for estimated liability for litigation and claims pending against the County that were not budgeted. (Note 16)	674	--
Expenditures reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for the reclassification of the Premium Demutualization Asset from the Life Insurance Fund to the ISF Fund that were not budgeted. (Note 1)	2,721	--
The County does not budget for the net present value of the minimum lease payments at the inception of a capital lease. However, GAAP requires the asset acquired under a capital lease to be reported as an expenditure in the financial statements.	396	--
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 2,492,928	\$ 63,684

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



County of Orange  
 Comprehensive Annual Financial Report  
 June 30, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
<b>ASSETS</b>				
Current Assets				
Pooled Cash/Investments (Notes 1 and 3)	\$ 68,714	\$ 311,544	\$ 380,258	\$ 225,271
Cash Equivalents/Specific Investments (Notes 1 and 3)	35,906	--	35,906	--
Cash/Cash Equivalents (Notes 1 and 3)	5,648	--	5,648	--
Imprest Cash Funds (Note 3)	14	35	49	133
Restricted Cash and Investments with Trustee (Note 3)	12,120	--	12,120	2,365
Restricted Pooled Cash/Investments (Note 3)	4,373	--	4,373	--
Deposits In-Lieu of Cash	28,117	--	28,117	--
Receivables				
Accounts	4,106	9,426	13,532	308
Interest/Dividends	1,000	2,667	3,667	1,268
Allowance for Uncollectible Receivables	--	(1)	(1)	(1)
Due from Other Funds (Note 6)	484	63	547	4,957
Due from Component Unit (Note 6)	--	--	--	2
Due from Other Governmental Agencies	1,630	541	2,171	847
Inventory of Materials and Supplies	--	--	--	125
Prepaid Costs	2,050	1	2,051	--
Total Current Assets	164,162	324,276	488,438	235,275
Noncurrent Assets				
Pooled Cash/Investments (Notes 1 and 3)	--	673	673	--
Restricted Cash and Investments with Trustee (Note 3)	18,289	10,514	28,803	--
Restricted Pooled Cash/Investments (Note 3)	--	26,436	26,436	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 3, and 13)	--	98,632	98,632	--
Deposits In-Lieu of Cash		16,969	16,969	--
Investments (Notes 1 and 3)	16,232	--	16,232	--
Capital Assets: (Note 4)				
Land	15,678	18,430	34,108	--
Construction in Progress	16,364	19,484	35,848	905
Structures and Improvements	349,787	6,989	356,776	4,856
Accumulated Depreciation	(158,571)	(3,330)	(161,901)	(3,770)
Equipment	10,341	45,667	56,008	82,530
Accumulated Depreciation	(6,993)	(22,253)	(29,246)	(62,610)
Infrastructure	124,621	238,237	362,858	--
Accumulated Depreciation	(80,293)	(73,344)	(153,637)	--
Total Capital Assets	270,934	229,880	500,814	21,911
Bond Issuance Costs	677	366	1,043	--
Total Noncurrent Assets	306,132	383,470	689,602	21,911
Total Assets	470,294	707,746	1,178,040	257,186

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

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 3,924	\$ 7,625	\$ 11,549	\$ 10,942
Salaries and Employee Benefits Payable	303	446	749	326
Unearned Revenue	4,326	--	4,326	--
Due to Other Funds (Note 6)	4,327	4,745	9,072	1,546
Due to Other Governmental Agencies	--	2,111	2,111	8
Insurance Claims Payable (Notes 1 and 15)	--	--	--	51,250
Compensated Employee Absences Payable (Notes 1 and 10)	813	1,250	2,063	793
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	937	937	--
Bonds Payable (Notes 1 and 10)	11,231	4,392	15,623	--
Capital Lease Obligations Payable (Notes 10 and 12)	--	--	--	1,285
Interest Payable	--	214	214	--
Deposits from Others	29,978	17,721	47,699	--
<b>Total Current Liabilities</b>	<b>54,902</b>	<b>39,441</b>	<b>94,343</b>	<b>66,150</b>
Noncurrent Liabilities				
Insurance Claims Payable (Notes 1 and 15)	--	--	--	88,399
Compensated Employee Absences Payable (Notes 1 and 10)	807	1,387	2,194	658
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	176,320	176,320	--
Bonds Payable (Notes 1 and 10)	101,925	40,880	142,805	--
Capital Lease Obligations Payable (Notes 10 and 12)	--	--	--	2,724
Arbitrage Rebate Payable (Note 10)	--	212	212	--
<b>Total Noncurrent Liabilities</b>	<b>102,732</b>	<b>218,799</b>	<b>321,531</b>	<b>91,781</b>
<b>Total Liabilities</b>	<b>157,634</b>	<b>258,240</b>	<b>415,874</b>	<b>157,931</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt (Note 1)	158,455	184,935	343,390	17,902
Restricted (Note 1)	30,409	69,135	99,544	--
Unrestricted (Note 1)	123,796	195,436	319,232	81,353
<b>Total Net Assets</b>	<b>\$ 312,660</b>	<b>\$ 449,506</b>	<b>762,166</b>	<b>\$ 99,255</b>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds			(423)	
Cumulative Effect of Prior Year's Internal Service Funds' Allocation			(7,519)	
<b>Net Assets of Business-type Activities</b>			<b>\$ 754,224</b>	

**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	\$ 88,440	\$ 408	\$ 88,848	\$ 2,231
Licenses, Permits, and Franchises	--	65	65	--
Charges for Services	13,335	112,910	126,245	64,663
Insurance Premiums	--	--	--	231,124
Other	--	856	856	--
Total Operating Revenues	<u>101,775</u>	<u>114,239</u>	<u>216,014</u>	<u>298,018</u>
Operating Expenses				
Salaries and Employee Benefits	12,164	20,036	32,200	14,223
Services and Supplies	16,356	16,213	32,569	31,340
Professional Services	28,343	15,300	43,643	33,032
Operating Leases	614	777	1,391	3,573
Insurance Claims and Premiums (Note 15)	--	--	--	179,664
Other Charges	--	--	--	19,883
Taxes and Other Fees	--	8,325	8,325	--
Landfill Site Closure/Postclosure Costs (Note 13)	--	(104)	(104)	--
Depreciation (Note 4)	18,515	13,031	31,546	5,985
Total Operating Expenses	<u>75,992</u>	<u>73,578</u>	<u>149,570</u>	<u>287,700</u>
Operating Income	<u>25,783</u>	<u>40,661</u>	<u>66,444</u>	<u>10,318</u>
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	14	14	--
Intergovernmental Revenues	852	32	884	745
Interest Revenue	5,772	16,190	21,962	7,380
Interest Expense	(7,567)	(3,068)	(10,635)	(64)
Loss on Disposition of Capital Assets	--	(256)	(256)	(895)
Other Revenue (Expense) - Net	2,925	(172)	2,753	3,428
Total Nonoperating Revenues (Expenses)	<u>1,982</u>	<u>12,740</u>	<u>14,722</u>	<u>10,594</u>
Income Before Contributions and Transfers	27,765	53,401	81,166	20,912
Capital Contributions	1,720	--	1,720	418
Transfers In (Note 8)	--	--	--	6,154
Transfers Out (Note 8)	--	(11,435)	(11,435)	(326)
Increase in Net Assets	<u>29,485</u>	<u>41,966</u>	<u>71,451</u>	<u>27,158</u>
Net Assets - Beginning of Year	283,175	407,540		70,322
Adjustment Due to Fund Reclassification (Note 1)	--	--		1,775
Net Assets - Restated	<u>283,175</u>	<u>407,540</u>		<u>72,097</u>
Net Assets - End of Year	<u>\$ 312,660</u>	<u>\$ 449,506</u>		<u>\$ 99,255</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds			<u>(423)</u>	
Increase in Net Assets of Business-Type Activities			<u>\$ 71,028</u>	





County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 98,423	\$ 116,776	\$ 215,199	\$ 66,858
Cash Received for Premiums Within the County's Entity	--	--	--	231,124
Payments to Suppliers for Goods and Services	(46,328)	(34,229)	(80,557)	(232,358)
Payments to Employees for Services	(12,481)	(21,135)	(33,616)	(15,172)
Payments for Interfund Services Provided	--	(4,328)	(4,328)	(2,465)
Operating Grants Received From	--	--	--	--
Cash Receipts for Interfund Services Provided	1,798	--	1,798	7,191
Landfill Site Closure/Postclosure Care Costs	--	(936)	(936)	--
Taxes and Other Fees	--	(8,325)	(8,325)	--
Other Operating Receipts	5,710	--	5,710	1,647
Other Operating Payments	--	(872)	(872)	(22,501)
Net Cash Provided by Operating Activities	<u>47,122</u>	<u>46,951</u>	<u>94,073</u>	<u>34,324</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	--	--	--	5,151
Transfers Out	--	(11,435)	(11,435)	(326)
Intergovernmental Revenues	885	32	917	745
Net Cash Provided (Used) by Noncapital Financing Activities	<u>885</u>	<u>(11,403)</u>	<u>(10,518)</u>	<u>5,570</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	(6,870)	(21,405)	(28,275)	(3,375)
Principal Paid on Bonds	(11,500)	(4,515)	(16,015)	--
Interest Paid on Long-Term Debt	(6,287)	(2,580)	(8,867)	(64)
Capital Contributions	1,267	--	1,267	--
Transfers In	--	--	--	1,003
Principal Paid on Capital Lease Obligations	--	--	--	(1,234)
Proceeds from Sale of Capital Assets	--	322	322	202
Net Cash Used by Capital and Related Financing Activities	<u>(23,390)</u>	<u>(28,178)</u>	<u>(51,568)</u>	<u>(3,468)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest on Investments	5,006	16,075	21,081	7,116
Purchases of Investments, net	(4,207)	-	(4,207)	--
Decrease in Restricted Investments with Trustee	--	(111)	(111)	--
Net Cash Provided by Investing Activities	<u>799</u>	<u>15,964</u>	<u>16,763</u>	<u>7,116</u>
Net Increase in Cash and Cash Equivalents	25,416	23,334	48,750	43,542
Cash and Cash Equivalents - Beginning of Year	101,686	413,986	515,672	182,452
Adjustment Due to Reclassification	--	--	--	1,775
Cash and Cash Equivalents - End of Year	<u>\$ 127,102</u>	<u>\$ 437,320</u>	<u>\$ 564,422</u>	<u>\$ 227,769</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	\$ 25,783	\$ 40,661	\$ 66,444	\$ 10,318
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	18,515	13,031	31,546	5,985
Provision for Landfill Site Closure/Postclosure Costs	--	(104)	(104)	--
Fines, Forfeitures and Penalties	--	14	14	--
Other Revenue (Expense)	5,710	(172)	5,538	3,428
Landfill Site Closure Disbursements	--	(936)	(936)	--
(Increases) Decreases In:				
Deposits In-Lieu of Cash	(6,692)	564	(6,128)	--
Accounts Receivable	(775)	2,311	1,536	(122)
Due from Other Funds	(484)	(49)	(533)	3,705
Due from Component Unit	--	--	--	(1)
Due from Other Governmental Agencies	(29)	76	47	(742)
Inventory of Materials and Supplies	--	--	--	(4)
Prepaid Costs	(284)	--	(284)	--
Increases (Decreases) In:				
Accounts Payable	(732)	(2,655)	(3,387)	6,543
Salaries and Employee Benefits Payable	(344)	(660)	(1,004)	(484)
Unearned Revenue	127	--	127	--
Due to Other Funds	2,284	(4,279)	(1,995)	1,021
Due to Other Governmental Agencies	--	(61)	(61)	5
Insurance Claims Payable	--	--	--	5,137
Compensated Employee Absences Payable	27	(439)	(412)	(465)
Deposits from Others	4,016	(414)	3,602	--
Arbitrage Rebate Payable	--	63	63	--
Total Adjustments	<u>21,339</u>	<u>6,290</u>	<u>27,629</u>	<u>24,006</u>
Net Cash Provided by Operating Activities	<u>\$ 47,122</u>	<u>\$ 46,951</u>	<u>\$ 94,073</u>	<u>\$ 34,324</u>
Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts				
Pooled Cash/Investments	\$ 68,714	\$ 312,217	\$ 380,931	\$ 225,271
Cash Equivalents/Specific Investments	35,906	--	35,906	--
Cash/Cash Equivalents	5,648	--	5,648	--
Imprest Cash Funds	14	35	49	133
Restricted Pooled Cash/Investments	4,373	26,436	30,809	--
Restricted Cash and Investments with Trustee	12,447 (1)	-- (2)	12,447	2,365
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	98,632	98,632	--
Total Cash and Cash Equivalents	<u>\$ 127,102</u>	<u>\$ 437,320</u>	<u>\$ 564,422</u>	<u>\$ 227,769</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

- During the year, the Transportation Internal Service Fund received \$406 of capital contributions from the General Fund.
- John Wayne Airport accrued \$1,459 in capital contributions.

(1) Does not include \$17,962 from Airport's nonliquid Restricted Cash and Investments.

(2) Does not include \$10,514 from Waste Management's nonliquid Restricted Cash and Investments with Trustee.

**STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS**

	Private- Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits	Agency Funds
<b>ASSETS</b>				
Pooled Cash/Investments (Notes 1 and 3)	\$ 43,365	\$ 2,691,681	\$ 4,568	\$ 213,864
Imprest Cash Funds (Notes 1 and 3)	--	--	--	100
Restricted Cash and Investments with Trustees (Notes 1 and 3)	82	--	7,376	1,335
Investments (Notes 1 and 3)	--	--	--	1,113
Deposits In-Lieu of Cash	--	--	--	12,496
Receivables				
Accounts	--	--	--	8,140
Taxes (Note 1)	--	--	--	196,564
Interest/Dividends	250	14,239	28	14,229
Due from Other Governmental Agencies	--	2	750	4,744
Notes Receivable	--	--	--	8,090
Total Assets	43,697	2,705,922	12,722	\$ 460,675
 <b>LIABILITIES</b>				
Interest Payable	--	--	--	15,276
Deposits from Others	--	--	--	451
Monies Held for Others	--	--	--	75,323
Due to Other Governmental Agencies	--	650	--	39,024
Unapportioned Taxes	--	--	--	330,601
Total Liabilities	--	650	--	\$ 460,675
 <b>NET ASSETS</b>				
Held in Trust	43,697	2,705,272	12,722	
Total Net Assets	\$ 43,697	\$ 2,705,272	\$ 12,722	

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, 2006**

	Private-Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits
<b>Additions:</b>			
Contributions to Pension Trust:			
Employer (Note 17)	\$ --	\$ --	\$ 954
Employee (Note 17)	--	--	981
Contributions to Pooled Investments (Note 3)	--	6,901,130	--
Contributions to Private-Purpose Trust	149,869	--	--
Interest and Investment Income (Note 3)	1,946	128,217	557
Less: Investment Expense (Note 3)	(40)	(2,870)	(4)
Total Additions	151,775	7,026,477	2,488
<b>Deductions:</b>			
Benefits Paid to Participants (Note 17)	--	--	551
Refunds of Prior Contributions (Note 17)	--	--	521
Distributions from Private-Purpose Trust	151,263	7,156,325	--
Total Deductions	151,263	7,156,325	1,072
<b>Change in Net Assets Held in Trust For:</b>			
Private-Purpose Trust	512	--	--
External Investment Pool (Note 3)	--	(129,848)	--
Employees' Retirement (Note 17)	--	--	1,416
Net Assets Held in Trust, Beginning of Year, as Restated	44,960	2,835,120	11,306
Adjustment Due to Reclassification (Note 1)	(1,775)	--	--
Net Assets Held in Trust, End of Year	\$ 43,697	\$ 2,705,272	\$ 12,722

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



# Notes to the Basic Financial Statements



*Orange County Ralph B. Clark Regional Park*





## 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 the legally separate component unit, Children and Families Commission of Orange County, 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. All of the County's net asset restrictions are externally imposed by outside parties or constitutional provisions. 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, 2006, the County's governmental activities reported restricted net assets of \$1,115,665 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 \$410,834 and are restricted

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

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

#### Government-Wide Financial Statements (Continued)

for the use of Airport and Waste Management activities, including debt service.

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

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

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

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

#### 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. This fund was closed in FY 2005-06.

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. Property taxes provide most of this fund's revenues.

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.

Other Public Protection This fund accounts for safety and law enforcement activities such as the child support program, automated fingerprint identification systems and investigation team. Revenues consist primarily of Federal and State grants.

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 nine 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.

Effective July 1, 2005, the County of Orange changed its method of accounting for the temporary holding of moneys withheld by employee payroll deductions and employer contributions for the payment of employee health maintenance organization and life insurance premiums. This temporary holding of premiums until payment is due is now reported in Internal Service Funds. Prior to this fiscal year, these funds were reported in private-purpose trust funds. The County believes that the new method of accounting more accurately reflects the nature of these funds for the payment of insurance premiums to third party insurance carriers. Additionally, reporting this temporary holding and clearing of moneys for insurance premiums in internal service funds provides better transparency and budgetary control. The effect of this change was to increase net assets in Internal Service Funds by \$1,775.

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 239 trust and agency funds for FY 2005-06. 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. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed. Additionally,

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

C. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements (Continued)

only the interfund transfers between governmental and business-type activities are reported in the Statement of Activities.

Governmental Fund Financial Statements

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues and other governmental fund type financial resources 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 expected to be received later than 60 days following the end of the fiscal year, then a receivable is recorded, along with deferred revenue. Once the grant reimbursement is received, revenue and cash are recorded, and the receivable and deferred revenue are eliminated. Receipts that have not met all of the earning requirements are reported as Unearned Revenue. As of June 30, 2006, the County reported \$130,035 of deferred revenue, and \$60,386 of unearned revenue, in the governmental funds' Balance Sheet.

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

Because the fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented to explain the adjustments necessary to reconcile fund financial statements to the government-wide financial statements.

#### Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds are used to account for business-type activities, which are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 except for those funds detailed in the Budgetary Comparison Statement, Note A and Budgetary Comparison Schedule, Note B in the supplemental information section. 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*
- *Other Public Protection*

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 2005-06, in the General Fund, Public Protection expenditures in excess of appropriations occurred in the office of the District Attorney. The District Attorney excess of expenditures occurred because the office did not realize all of the intrafund billings that they had projected for the budget. General Fund expenditures did not exceed budgeted appropriations at the legal level of budgetary control.

**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, 2006, the County has prepaid costs of \$284,115 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 \$159,090 and \$114,947 for prepayment of the County's FY 2006-07 portion of the unfunded accrued actuarial liability to OCERS. See Note 3, 9, and 17 for additional information regarding the pension investment asset for the OCERS Pension Plan and the prepayment of the FY 2006-07 retirement costs.

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.

<b>Asset Type</b>	<b>Capitalization Threshold</b>
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. For additional information, refer to Note 15, Self-Insurance.

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, 2006 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, 2006, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 1.23 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 10, Long-Term Obligations.

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

L. Property Taxes (Continued)

In addition, legislation adopted as part of the State's FY 2004-05 budget process and Proposition 1A, approved by voters on November 2, 2004, permanently reduced the Vehicle License Fees (VLF) from 2.00% to 0.65% and 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. This 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. It also 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 amount of \$1,300,000 for each of fiscal years 2004-05 and 2005-06. Additionally, the legislation 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 2005-06 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 FY 2005-06 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 established a new accounting policy for capital asset impairments, effective this fiscal year and determined there were no capital asset impairments to report.

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 to assist 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 has implemented these new reporting requirements.

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 determined there were no net assets restricted by enabling legislation to report.

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.

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

P. Effects of New Pronouncements (Continued)

As noted in the following GASB Statement No. 45 discussion, the County intends to implement this statement in FY 2007-08. For all other termination benefits, the statement is effective for fiscal periods beginning after June 15, 2005; therefore, the County implemented those requirements this fiscal year and accrued a \$16 termination benefit liability.

In June 2006, GASB issued Technical Bulletin No. 2006-1, "Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D." This technical bulletin clarifies how state and local governmental entities should report payments received from the federal government under the retiree drug subsidy provisions of Medicare Part D. The law that created the program provides for payments to certain employers and plans that provide prescription drug benefits to persons who otherwise would be eligible to participate in Medicare Part D. The requirements of this bulletin were effective June 2006. In accordance with Technical Bulletin No. 2006-1, the County accrued revenue in the amount of \$750 in the financial statements.

The following summarizes recent GASB pronouncements and their impact, if any, on future 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 analyzing the requirements of GASB Statement No. 43 and its Retiree Medical Plan to determine if there will be any impact to the financial statements. If applicable, the County intends to implement the new reporting requirements for the FY 2006-07 financial statements. For additional information, refer to Note 19, Subsequent Events.

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 financial statement impact of the new requirements. The County intends to implement the new reporting requirements as required for the FY 2007-08 financial statements. For additional information, refer to Note 19, Subsequent Events.

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

P. Effects of New Pronouncements (Continued)

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.

In September 2006, GASB issued Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*" This statement establishes criteria that governments will use to determine whether certain transactions should be regarded as a sale and reported as revenue or regarded as collateralized borrowing and recorded as a liability. Examples of such transactions include the sale of delinquent taxes, certain mortgages, student loans, or future revenue such as those from tobacco settlement agreements. The statement also includes provisions that stipulate that governments should not revalue assets that are transferred between financial reporting entity components. The requirements of this statement are effective for the financial statements for periods beginning after December 15, 2006, which requires the County to implement this Statement for the FY 2007-08 financial statements.

In December 2006, GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations.*" This statement requires state and local governments to provide the public with better information about the financial impact of environmental cleanup and identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and how to measure that liability. The statement also requires governments to disclose information about their pollution obligations associated with cleanup efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements for periods beginning after December 15, 2007, but liabilities will be measured at the beginning of that period so that beginning net assets can be restated. The County is required to implement the statement for the FY 2008-09 financial statements.

Q. Use of Estimates

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



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

R. Consolidation of Governmental Funds' Balance Sheet and Proprietary Funds' Statement of Net Assets Line Items in Statement of Net Assets

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

<i><b>Government-Wide Statement of Net Assets Line Item</b></i>	<i><b>Corresponding Governmental and Proprietary Fund Balance Sheet or Statement of Net Assets Line Item</b></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 Care 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>\$ 26,235</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 decreased by \$13,056 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 in relation to the IBNR and adjust them as deemed appropriate.

### 3. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$5,914,428 as of June 30, 2006. Each fund's portion of this total is reflected in the balance sheet accounts entitled "Pooled Cash/Investments, Cash Equivalents/Specific Investments, Restricted Pooled Cash/Investments – Closure & Postclosure Care Costs, Restricted Pooled Cash/Investments, Cash/Cash Equivalents, Imprest Cash, 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.

Total County deposits and investments at fair value as of June 30, 2006 are reported as follows:

Deposits:		
Imprest Cash	\$	1,587
Deposit Overdraft		(85,091)
Total Cash Overdrafts		(83,504)
Investments:		
With Treasurer		5,511,306
With Trustee		486,626
Total Investments		5,997,932
Total Deposits and Investments	\$	5,914,428

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

A. Deposits (Continued)

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

Governmental Funds	\$	1,961,641
Component Unit		152,404
Fiduciary Funds		2,963,484
Proprietary Funds		836,899
Total Deposits and Investments	\$	<u>5,914,428</u>

B. Investments

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

External Investment Pools

The County Treasurer sponsors two external investment pools: the County Pool, and the Educational Pool. Both pools consist of a Money Market Fund and an Extended Fund. The County Treasurer has a written IPS specifically for the separately managed County and Educational Investment Pools. The IPS is more restrictive than required by California Government Code. The IPS requires the assets in the Pools to consist of the following investments and maximum permissible concentrations based on market value: U.S. Treasury instruments backed by the full faith and credit of the United States government (100%); obligations issued or guaranteed by agencies of the United States government (100%); commercial paper of a high rating (A1/P1/F1) as provided by at least two of the following nationally recognized rating agencies: Standard & Poor’s Corporation (S & P), Moody’s Investors Service, Inc. (Moody’s), or Fitch Ratings (Fitch), with further restrictions regarding issuer size and maturity (40%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or by a state-licensed branch of a foreign bank, 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 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.

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### External Investment Pools (Continued)

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 December 5, 2005, Fitch reaffirmed the Pools' ratings of "AAA/V1+." On December 27, 2005, 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 SEC.

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school districts are required by legal provisions to deposit their funds with the County Treasurer. The Educational Pool consists entirely of public school districts and therefore includes 100 percent involuntary participants. At June 30, 2006, the County Pool includes approximately 10.79 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, 2006, 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	\$ 929,078	\$ 938,095	Discount, 2.10-5.50%	07/03/06-05/29/09	0.94
Commercial Paper	764,290	766,831	Discount	07/03/06-08/29/06	0.06
Negotiable Certificates of Deposit	596,839	597,000	5.03-5.52%	07/10/06-06/18/07	0.33
Medium-Term Corporate Notes	363,971	364,610	3.50-5.52%	08/15/06-05/08/08	0.56
Municipal Debt	107,765	107,765	5.26%	07/03/06	0.01
Repurchase Agreements	170,000	170,000	5.35%	07/03/06	0.01
Money Market Mutual Funds	18,197	18,197	Variable	07/03/06	0.01
	<b>\$ 2,950,140</b>	<b>\$ 2,962,498</b>			<b>0.45</b> *
<u>Educational Pool</u>					
U.S. Government Agencies	\$ 601,154	\$ 605,687	Discount, 2.10-5.50%	07/05/06-08/22/06	0.71
Commercial Paper	908,108	913,326	Discount	07/03/06-03/17/07	0.10
Negotiable Certificates of Deposit	514,778	515,000	5.03-5.30%	07/10/06-02/27/07	0.22
Medium-Term Corporate Notes	321,448	321,723	3.50-5.52%	08/15/06-05/08/08	0.39
Repurchase Agreements	70,000	70,000	5.35%	07/03/06	0.01
Money Market Mutual Funds	9,393	9,393	Variable	07/03/06	0.01
	<b>\$ 2,424,881</b>	<b>\$ 2,435,129</b>			<b>0.31</b> *
<u>Specific Investments</u>					
U.S. Government Agencies	\$ 8,664	\$ 8,710	Discount	07/19/06-11/28/06	0.10
U.S. Treasury Bills	69,295	70,000	4.63-4.91%	07/20/06-11/09/06	0.20
Commercial Paper	23,077	23,250	Discount	07/05/06-03/13/07	0.14
Negotiable Certificates of Deposit	12,382	12,400	5.03-5.53%	08/10/06-02/27/07	0.32
Medium-Term Corporate Note	1,279	1,250	5.58%	05/21/07	0.89
Repurchase Agreements	1,082	1,082	6.18%	08/15/19	13.13
Money Market Mutual Funds	20,506	20,506	Variable	07/03/06	0.01
	<b>\$ 136,285</b>	<b>\$ 137,198</b>			<b>0.28</b> *
<u>With Trustees:</u>					
<u>Restricted Investments with Trustees</u>					
U.S. Government Agencies	\$ 216,633	\$ 156,282	Discount	11/22/06-09/01/21	11.71
U.S. Treasury Bonds	3,006	2,558	9.00%	11/15/18	12.39
U.S. Treasury Strips	190	54	Discount	11/15/18	12.39
Guaranteed Investment Contracts	239,651	239,651	Variable, 2.71-6.68%	07/01/06-09/01/23	5.23
Money Market Mutual Funds	27,146	27,146	Variable	07/01/06	0.00
	<b>486,626</b>	<b>425,691</b>			<b>7.87</b> *

\* Portfolio weighted average maturity

### 3. DEPOSITS AND INVESTMENTS (Continued)

#### B. Investments (Continued)

##### Investment Disclosures (Continued)

##### Investment in County of Orange Taxable Pension Obligation Bonds, Series 2006

On January 30, 2006, the Orange County Investment Pool (OCIP) – Money Market Fund purchased all of the County issued Taxable Pension Obligation Bonds, Series 2006 (the 2006 POBs) in the principal amount of \$105,991. For further information, refer to Note 9, Short-Term Obligations. The 2006 POBs were issued in order to prepay a portion of the County's Fiscal Year 2006-07 unfunded accrued actuarial liability to OCERS. The 2006 POBs were issued as convertible capital appreciation bonds, in a variable rate, with a maturity date of June 29, 2007. The terms of the sale of the 2006 POBs from the County to the County Treasurer on behalf of the OCIP were negotiated at arm's length. The obligation of the County to pay principal and interest on the 2006 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2006, the outstanding principal amount of the 2006 POBs is \$105,991 and the accreted interest on the outstanding POBs is \$1,774. The bonds are rated A-1 and P-1 by S & P and Moody's respectively. The County's investment in the 2006 POBs is disclosed herein as Municipal Debt. As a result of a timing difference, the OCIP accreted interest is reported at \$1,774 and the County reports accreted interest of \$2,278.

##### Interest Rate Risk

The County Treasurer manages exposure to declines in fair value by limiting the weighted average maturity of its Money Market Funds to less than 90 days and the Extended Fund to less than 18 months in accordance with the IPS. Of the County's \$2,950,140 and Educational Pool's \$2,424,881 portfolio at June 30, 2006, over 68.26% and 75.34%, respectively of the investments have a maturity of six months or less. Of the remainder, only 13.94% and 8.10% have a maturity of more than 1 year.

As of June 30, 2006, variable-rate notes comprised 15.12% and 12.28% 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, 2006, the weighted average maturity of the County Pool was 0.45 years and the Educational Pool was 0.31 years. At the same date, 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 \$2,960,000 and \$2,600,000 with an average effective yield of 4.01% and 4.09%, respectively, for the year ended June 30, 2006.

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

#### **B. Investments (Continued)**

##### Investment Disclosures (Continued)

##### 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, 2006, 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, 2006, 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, 2006 (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
<b><u>County Pool</u></b>				
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	2.31%
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	1.14%
Freddie Mac Discount Notes	AAA	Aaa	AAA	1.15%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	7.48%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	10.12%
Freddie Mac Bonds	AAA	Aaa	AAA	9.30%
Commercial Paper	A-1	P-1	F1	25.91%
Negotiable Certificates of Deposit	A-1	P-1	F1	20.23%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	2.36%
Corporate Notes	A	Aa	AA	0.54%
Corporate Notes	AAA	Aaa	AAA	9.43%
Municipal Debt	A-1	P-1	NR	3.65%
Repurchase Agreements	NR	NR	NR	5.76%
Money Market Mutual Funds	AAA	Aaa	AAA	0.62%
<b>Total County Pool</b>				<b><u>100.00%</u></b>
<b><u>Educational Pool</u></b>				
U.S. Government Agencies				
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	1.69%
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	2.71%
Freddie Mac Discount Notes	AAA	Aaa	AAA	0.67%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	7.93%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	6.40%
Freddie Mac Bonds	AAA	Aaa	AAA	5.39%
Commercial Paper	A-1	P-1	F1	37.45%
Negotiable Certificates of Deposit	A-1	P-1	F1	21.23%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	5.35%
Corporate Notes	AA	Aa	AA	1.02%



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

**B. Investments (Continued)**

Investment Disclosures (Continued)

<u>Investments (Continued)</u>	<u>S &amp; P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<b><u>Educational Pool (Continued)</u></b>				
Corporate Notes	AAA	Aaa	NR	3.98%
Corporate Notes	AAA	Aaa	AAA	2.90%
Repurchase Agreements	NR	NR	NR	2.89%
Money Market Mutual Funds	AAA	Aaa	AAA	0.39%
<b>Total Educational Pool</b>				<b><u>100.00%</u></b>
<b><u>Specific Investments</u></b>				
U.S. Government Agencies				
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	1.97%
Freddie Discount Notes	AAA	Aaa	AAA	0.72%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	3.66%
U.S. Treasury Bills	NR	NR	NR	50.85%
Commercial Paper	A-1	P-1	F1	16.93%
Negotiable Certificates of Deposit	A-1	P-1	F1	9.09%
Medium-Term Notes	AAA	Aaa	NR	0.94%
Repurchase Agreements	NR	NR	NR	0.79%
Money Market Mutual Funds	AAA	Aaa	AAA	15.05%
<b>Total Specific Investments</b>				<b><u>100.00%</u></b>
<b><u>Restricted Investments with Trustees</u></b>				
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	A-1	NR	F1	2.98%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	41.53%
U.S. Treasury Bonds	AAA	Aaa	AAA	0.62%
U.S. Treasury Strips	AAA	Aaa	AAA	0.04%
Guaranteed Investment Contracts	NR	NR	NR	49.25%
Money Market Mutual Funds	AAA	Aaa	NR	5.58%
<b>Total Restricted Investments with Trustees</b>				<b><u>100.00%</u></b>

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

**B. Investments (Continued)**

Condensed Financial Statements

In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2006:

**Entire Pool**

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<b><u>Statement of Net Assets</u></b>			
Net assets held for pool participants	\$ 3,554,857	\$ 2,371,515	\$ 5,926,372
Equity of internal pool participants	3,221,100	--	3,221,100
Equity of external pool participants	333,757	2,371,515	2,705,272
Total Net Assets	<u>\$ 3,554,857</u>	<u>\$ 2,371,515</u>	<u>\$ 5,926,372</u>
<b><u>Statement of Changes in Net Assets</u></b>			
Net assets as of July 1, 2005	\$ 3,519,081	\$ 2,507,175	\$ 6,026,256
Net change in investments by pool participants	35,776	(135,660)	(99,884)
Net Assets at June 30, 2006	<u>\$ 3,554,857</u>	<u>\$ 2,371,515</u>	<u>\$ 5,926,372</u>

**External Pool Portion**

	<u>Investment Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<b><u>Combining Statement of Fiduciary Net Assets</u></b>			
<u>Assets</u>			
Pooled Cash/Investments	\$ 332,105	\$ 2,359,576	\$ 2,691,681
Receivables: Interest/Dividends	2,040	12,199	14,239
Due from Other Governmental Agencies	2	--	2
Total Assets	<u>334,147</u>	<u>2,371,775</u>	<u>2,705,922</u>
<u>Liabilities</u>			
Due to Other Governmental Agencies	390	260	650
Total Liabilities	<u>390</u>	<u>260</u>	<u>650</u>
<u>Net Assets</u>			
Held in Trust	333,757	2,371,515	2,705,272
Total Net Assets	<u>\$ 333,757</u>	<u>\$ 2,371,515</u>	<u>\$ 2,705,272</u>

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

B. Investments (Continued)

Condensed Financial Statements (Continued)

	<u>Investment Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<b><u>Combining Statement of Changes in Fiduciary Net Assets</u></b>			
Additions:			
Contributions to Pooled Investments	\$ 1,238,702	\$ 5,662,428	\$ 6,901,130
Interest and Investment Income	12,106	116,111	128,217
Less: Investment Expense	(204)	(2,666)	(2,870)
Total Additions	<u>1,250,604</u>	<u>5,775,873</u>	<u>7,026,477</u>
Deductions:			
Distributions from Pooled Investments	<u>1,244,792</u>	<u>5,911,533</u>	<u>7,156,325</u>
Total Deductions	<u>1,244,792</u>	<u>5,911,533</u>	<u>7,156,325</u>
Change in Net Assets Held in Trust For External Investment Pool	5,812	(135,660)	(129,848)
Net Assets Held in Trust, Beginning of Year	<u>327,945</u>	<u>2,507,175</u>	<u>2,835,120</u>
Net Assets Held in Trust, End of Year	<u>\$ 333,757</u>	<u>\$ 2,371,515</u>	<u>\$ 2,705,272</u>

#### 4. CHANGES IN CAPITAL ASSETS

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

	Primary Government			Balance June 30, 2006
	Balance July 1, 2005	Increases	Decreases	
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 567,243	\$ 8,472	\$ --	575,715
Construction in progress	427,674	45,523	(77,878)	395,319
Total capital assets not being depreciated	<u>994,917</u>	<u>53,995</u>	<u>(77,878)</u>	<u>971,034</u>
Capital assets, depreciable:				
Structures and Improvements	864,400	16,158	(485)	880,073
Equipment	320,565	20,893	(21,334)	320,124
Infrastructure:				
Flood Channels	877,440	2,638	--	880,078
Roads	87,313	19,028	(3,922)	102,419
Bridges	62,464	201	--	62,665
Trails	32,428	--	--	32,428
Traffic signals	9,933	--	--	9,933
Harbors and Beaches	34,520	--	--	34,520
Capital assets, depreciable	<u>2,289,063</u>	<u>58,918</u>	<u>(25,741)</u>	<u>2,322,240</u>
Less accumulated depreciation for:				
Structures and Improvements	(353,573)	(26,664)	11	(380,226)
Equipment	(216,826)	(22,559)	16,553	(222,832)
Infrastructure:				
Flood Channels	(182,384)	(8,939)	--	(191,323)
Roads	(55,404)	(3,337)	2,311	(56,430)
Bridges	(18,019)	(1,252)	--	(19,271)
Trails	(20,271)	(830)	--	(21,101)
Traffic signals	(6,870)	(591)	--	(7,461)
Harbors and Beaches	(19,887)	(810)	--	(20,697)
Total accumulated depreciation	<u>(873,234)</u>	<u>(64,982)</u>	<u>18,875</u>	<u>(919,341)</u>
Capital assets, depreciable (net)	<u>1,415,829</u>	<u>(6,064)</u>	<u>(6,866)</u>	<u>1,402,899</u>
Governmental activities total capital assets, net	<u>\$ 2,410,746</u>	<u>\$ 47,931</u>	<u>\$ (84,744)</u>	<u>\$ 2,373,933</u>

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

	Primary Government			Balance June 30, 2006
	Balance July 1, 2005	Increases	Decreases	
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 34,108	\$ --	\$ --	\$ 34,108
Construction in progress	68,967	17,862	(50,981)	35,848
Total capital assets not being depreciated	103,075	17,862	(50,981)	69,956
Capital assets, depreciable:				
Structures and Improvements	334,026	29,843	(7,093)	356,776
Equipment	50,240	8,455	(2,687)	56,008
Infrastructure	335,421	27,437	--	362,858
Capital assets, depreciable	719,687	65,735	(9,780)	775,642
Less accumulated depreciation for:				
Structures and Improvements	(149,287)	(18,108)	5,494	(161,901)
Equipment	(26,883)	(4,479)	2,116	(29,246)
Infrastructure	(139,184)	(14,453)	--	(153,637)
Total accumulated depreciation	(315,354)	(37,040)	7,610	(344,784)
Capital assets, depreciable (net)	404,333	28,695	(2,170)	430,858
Business-type activities total capital assets, net	<u>\$ 507,408</u>	<u>\$ 46,557</u>	<u>\$ (53,151)</u>	<u>\$ 500,814</u>

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

Government activities:	
General Government	\$ 3,542
Public Protection	32,293
Public Ways and Facilities	8,689
Health and Sanitation	2,900
Public Assistance	5,220
Education	855
Recreation and Cultural Services	6,020
Internal Service Funds' depreciation	
expense allocated to various functions	5,985
Total governmental activities depreciation expense	<u>65,504</u>
Business-type activities:	
Airport	18,515
Waste Management	13,031
Total business-type activities depreciation expense	<u>31,546</u>
Total depreciation expense	<u>\$ 97,050</u>

## 5. RECEIVABLES

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

### Accounts Receivable

\$270 of accounts receivable for governmental activities is not expected to be received within the next fiscal year, which consists of \$8 for the Tracking Utility Fees (TUF) Program 10 Map Check. The remaining \$262 is for various invoices and non-sufficient funds checks that remain in the accounts due to statute of limitation constraints.

### Deposits Receivable

\$9,968 of deposits receivable for governmental activities is not expected to be received within the next fiscal year, which consists of \$270 in the condemnation deposits with the State for the eminent domain litigation, and \$448 related to the Laguna Canyon Bridge construction. In addition, there is a \$5,508 deposit related to the United States Army Corps of Engineers (USACE) for the Santa Ana River Project, and a \$3,500 deposit related to the USACE for the Upper Newport Bay Ecosystem Restoration Project. The remaining \$242 represents various cash advances, service contracts, and miscellaneous deposits.

### Notes Receivable

Of the \$23,526 in notes receivable for governmental activities, \$23,034 is not expected to be received within the next fiscal year. \$20,919 consists of loans to build affordable, low to moderate income, and senior housing. \$1,666 is from the sale of surplus County property. The remaining \$449 is for other various sales and loans.

### Loans Receivable

\$1,963 of loans receivable for governmental activities is not expected to be received within the next fiscal year. Of this amount, \$1,883 represents advances to the Dana Point Harbor operators, \$50 provides operating cash for Santa Ana River Prado Dam Property Management, and \$30 used in connection with cases related to narcotics and various special investigations by the Sheriff Department.

### Due From Other Governmental Agencies

\$61,278 due from other governmental agencies for governmental activities is not expected to be received within the next fiscal year. This consists primarily of \$61,122 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 will begin to reimburse the County for these programs over a 15 year period beginning in FY 2006-07. The State Constitution requires reimbursement for these program costs, and interest will accrue on the reimbursement claims until they are paid. The other \$156 is comprised of various invoices to the State for a variety of County-related activities.

**6. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2006 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$ 1,614	
	Public Library	27	
	Tobacco Settlement	5,952	
	Flood Control District	5,248	
	Harbors, Beaches, and Parks	3,862	
	Other Public Protection	6,245	
	Other Governmental Funds	17,630	
	Internal Service Funds	1,421	
	Airport	1,728	
	Waste Management	<u>4,712</u>	\$ 48,439
Roads	General Fund	109	
	Flood Control District	684	
	Harbors, Beaches, and Parks	192	
	Other Public Protection	13	
	Other Governmental Funds	13	
	Internal Service Funds	1	
	Airport	<u>35</u>	1,047
Public Library	General Fund	1	
	Internal Service Funds	<u>33</u>	34
Flood Control District	General Fund	101	
	Roads	725	
	Harbors, Beaches, and Parks	290	
	Other Public Protection	10	
	Other Governmental Funds	270	
	Internal Service Funds	1	
	Airport	<u>33</u>	1,430
Harbors, Beaches, and Parks	General Fund	58	
	Roads	86	
	Flood Control District	79	
	Other Public Protection	2	
	Other Governmental Funds	9	
	Internal Service Funds	<u>9</u>	243
Other Public Protection	General Fund	23,416	
	Roads	20	
	Internal Service Funds	9	
	Airport	<u>1</u>	23,446

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

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Other Governmental Funds	General Fund	\$ 8,058	
	Other Public Protection	917	
	Other Governmental Funds	4,519	
	Internal Service Funds	9	
	Airport	2,512	
	Waste Management	<u>1</u>	\$ 16,016
Airport	General Fund	469	
	Internal Service Funds	<u>15</u>	484
Waste Management	General Fund	3	
	Roads	6	
	Flood Control District	32	
	Internal Service Funds	<u>22</u>	63
Internal Service Funds	General Fund	4,749	
	Roads	10	
	Public Library	41	
	Flood Control District	12	
	Harbors, Beaches, and Parks	32	
	Other Public Protection	27	
	Other Governmental Funds	10	
	Internal Service Funds	26	
	Airport	18	
	Waste Management	<u>32</u>	<u>4,957</u>
	Total		<u>\$ 96,159</u>

Due From/To Primary Government and Component Unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit – Children & Families Commission of Orange County	Primary Government – Other Governmental Funds	\$ 40
Primary Government – General Fund	Component Unit – Children & Families Commission of Orange County	\$ 250
Primary Government – Internal Service Funds	Component Unit – Children & Families Commission of Orange County	\$ 2



**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, 2006, approximates \$40,163.

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, 2006 are as follows:

<u>Fiscal Year(s) Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$ 10,664	\$ 33,711
2008	10,345	33,643
2009	10,327	25,227
2010	10,260	20,033
2011	9,723	15,449
	<u>51,319</u>	<u>128,063</u>
2012-2016	29,629	5,702
2017-2021	26,232	1,563
2022-2026	24,983	--
2027-2031	22,389	--
2032-2036	21,024	--
2037-2041	11,458	--
2042-2046	468	--
2047-2051	111	--
	<u>136,294</u>	<u>7,265</u>
 Total future minimum rentals	 <u>\$ 187,613</u>	 <u>\$ 135,328</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$262 (Flood Control District), \$4,023 (Harbors, Beaches, and Parks), \$25,084 (Airport) and \$56 (Waste Management) for the year ended June 30, 2006.

**8. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2006 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>		
<u>Governmental Funds</u>			
General Fund	Tobacco Settlement	\$ 8	
	Refunding Bonds and Recovery		
	COPS and Debt Prepayment	10,416	
	Harbor, Beaches, and Parks	8,800	
	Other Public Protection	24,403	
	Other Governmental Funds	84,661	
	Internal Service Funds	<u>6,146</u>	\$ 134,434
Tobacco Settlement	General Fund	26,837	
	Other Governmental Funds	<u>5,530</u>	32,367
Refunding Bonds and Recovery	General Fund	472	
COPs and Debt Prepayment	Other Governmental Funds	<u>3,418</u>	3,890
Flood Control District	General Fund	<u>638</u>	638
Other Public Protection	General Fund	17,465	
	Other Governmental Funds	13,889	
	Internal Service Funds	<u>8</u>	31,362
Other Governmental Funds	General Fund	26,166	
	Public Library	529	
	Other Governmental Funds	<u>10,448</u>	37,143
Internal Service Funds	General Fund	<u>326</u>	<u>326</u>
Total Governmental Funds			<u>\$ 240,160</u>
<u>Enterprise Funds</u>			
Waste Management	General Fund	<u>11,435</u>	
Total Enterprise Funds			<u>\$ 11,435</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 \$90,768 was transferred out from the General Fund (\$82,009), the Refunding Bonds and Recovery COPs and Debt Prepayment Fund (\$3,418), and Other Governmental Funds (\$5,341) to the debt service funds in connection with debt service payments for the various County debt issues.
- \$26,837 was transferred from the Tobacco Settlement Fund to the General Fund to finance various health care programs. \$5,530 was transferred to Other Governmental Funds for projects at the Theo Lacy Jail.
- \$11,435 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, \$6,736 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.
- \$23,408 was transferred from the General Fund to the Other Public Protection Fund for the annual transfer of Public Safety Sales Tax Excess Revenue.
- \$11,739 was transferred from the Other Public Protection Fund to the General Fund for various programs.
- \$6,114 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:

- \$1,317 was transferred from the General Fund to the Health and Other Self-Insured Employee Benefits ISF Fund for Public Employees Retirement System (PERS) premium reimbursements and individual judges claim reimbursements.
- \$1,104 was transferred from the General Fund to the Workers' Compensation ISF Fund for the workers' compensation estimated administration fees.
- \$8,673 was transferred from the General Fund to the Harbors, Beaches and Parks Capital Fund for additional park maintenance and improvements.
- \$1,847 was transferred from the General Fund to the Community, Health and Welfare Services Fund for the Social Services Agency Santa Ana Regional Center (SARC) lease conveyance agreement.
- \$3,500 was transferred from the General Fund to the Community, Health and Welfare Services Fund for mental health and public health services for the Health Care Agency.
- \$12,754 was transferred from the Other Public Protection Fund to the Criminal Justice Facilities Capital Projects Fund for Sheriff-Coroner Construction facility construction and development.

**9. SHORT-TERM OBLIGATIONS**

**Revenue Bonds Payable**

Taxable Pension Obligation Bonds, Series 2006

On January 30, 2006, the County issued Taxable Pension Obligation Bonds, Series (the 2006 POBs) in the principal amount of \$105,991. The 2006 POBs were issued in order to prepay a portion of the County's FY 2006-07 actuarially required contribution related to the amortization of the unfunded accrued actuarial liability to OCERS. In return, the County received a 7.75% discount on the required employer contribution amount. The 2006 POBs were issued as convertible capital appreciation bonds, with a variable rate, with a maturity date of June 29, 2007. The obligation of the County to pay principal and interest on the 2006 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2006, the outstanding principal amount of the 2006 POBs reported in the General Fund is \$105,991 and the accreted interest is \$2,278.

Description	Balance July 1, 2005	Issuances and Discount/ Premium Amortization	Accreted Interest	Balance June 30, 2006	Amounts Due within One Year
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**County of Orange**

**Taxable Pension Obligation Bonds - Series 2006**

Date Issued: January 30, 2006

Interest Rate: Variable

Original Amount: \$105,991

Maturing in installments through June 29, 2007    \$        --    \$        105,991    \$        2,278    \$        108,269    \$        108,269

**10. LONG-TERM OBLIGATIONS**

**General Bonded Debt**

General Obligation Bonded Debt

The amount of general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the last equalized assessment property tax roll. At June 30, 2006, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$4,240,462. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, section 1 requires the approval of 2/3 of the voters voting on the proposition.

**Bankruptcy Recovery**

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 \$800; 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 \$0.

## **10. LONG-TERM OBLIGATIONS (Continued)**

### **Bankruptcy Obligations**

On August 18, 2005, the County completed a refunding and restructuring of the \$791,530 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 \$580,825 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 \$419,756 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds) at a premium of \$19,973. The proceeds of which, together with certain monies contributed by the County and other funds available to the trustee of the Recovery COPs, of this \$93,620 was used to defease certain non-callable Recovery COPs, the remainder was used to fund a debt service reserve fund for the Series 2005 Bonds, and pay costs of issuance of the Series 2005 Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$25,550. This difference is reported as a deferred amount on refunding of Series 2005 Bonds. The current year amortization amount for the deferred amount on refunding is \$1,065, leaving an ending balance of \$24,485. The refunding resulted in a reduction of debt service payments over the next 12 years by \$969,915 and provided an economic gain of \$538,457. As of June 30, 2006, the outstanding principal amount, including the premium of the Series 2005 Bonds, was \$439,728.

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 \$146,006 Refunding Recovery Bonds 2005 Series A (2005 Recovery Bonds) at a premium of \$9,318. 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 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$10,417. This difference is reported as a deferred amount on refunding of the 2005 Recovery Bonds. The current year amortization amount for the deferred amount on refunding is \$1,042, leaving an ending balance of \$9,375. The refunding resulted in a reduction of debt service payments over the next 10 years by \$234,310 and provided an economic gain of \$150,357. As of June 30, 2006, the outstanding principal amount, including unamortized premium of the 2005 Recovery Bonds, was \$140,795.

## 10. LONG-TERM OBLIGATIONS (Continued)

### 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, 2006, the outstanding principal amount of the Refunding COPs was \$8,092.

#### 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, 2006, the outstanding principal amount of the current interest NDAPP Bonds was \$291, the accreted interest on the capital appreciation NDAPP Bonds was \$52 for the year then ended, and the outstanding principal amount of the NDAPP Refunding Bonds was \$24,143.

#### 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, 2006, the outstanding principal amount of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 was \$68,846.

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

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

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, 2006, the outstanding principal amount of the SAHP Bonds was \$37,095.

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 partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds Series 1996A and Series 1997A (together with the Series 1994A Pension Bonds). As of June 30, 2006, the outstanding principal amount of the Series 1994A, 1996A and 1997A Pension Bonds were \$0, \$55,656 and \$44,058, respectively.

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

Teeter Plan Revenue Bonds, Series 1995A through E

In June 1995, the Orange County Special Financing Authority (the Authority) issued in the principal amount of \$155,000 in taxable (1995 Series A - \$32,400) and tax-exempt (1995 Series B through E - \$122,600) Teeter Plan Revenue Bonds (Teeter Bonds). The Teeter Bonds are limited obligations of the Authority payable solely from revenues consisting primarily of delinquent tax payments to be made by taxpayers under the County Teeter Plan program, to be received by the Authority, the County and a trustee. The outstanding principal balance of the Teeter Bonds as of June 30, 2006 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, 2006, the outstanding principal amount of the Lease Revenue Bonds was \$4,774.

## 10. LONG-TERM OBLIGATIONS (Continued)

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

#### 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, 2006 was \$121,403. 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, 2006 was \$47,243.

#### Advance Refunding

During this and 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, 2006, \$647,335 of legally defeased debt remains outstanding.



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

**Schedule of Long-Term Debt Obligations, Fiscal Year 2005-06**

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2006 were as follows:

Description	Balance July 1, 2005	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2006	Amounts Due within One Year
<b><u>Governmental Funds:</u></b>					
<b><u>County of Orange Refunding</u></b>					
<b><u>Recovery Bonds - Series 1995 A:</u></b>					
Date Issued: June 1, 1995					
Interest Rate: 5.0% to 6.50%					
Original Amount: \$278,790					
Maturing in installments through June 1, 2015.	\$ 210,705	\$ --	\$ (210,705)	\$ --	\$ --
<b><u>County of Orange</u></b>					
<b><u>Refunding Recovery Bonds - Series 2005A:</u></b>					
Date Issued: August 18, 2005 to refund and defease the outstanding Refunding Recovery Bonds - Series 1995A					
Interest Rate: 3.00% to 5.00%					
Original Amount: \$146,006					
Maturing in installments through June 1, 2015.	--	155,170	(14,375)	140,795	12,443
Deferred Amount on Refunding	--	(9,375)	--	(9,375)	(1,042)
<b><u>Orange County Public Facilities Corporation,</u></b>					
<b><u>1996 Recovery Certificates of Participation -</u></b>					
<b><u>Series 1996 A:</u></b>					
Date Issued: June 12, 1996					
Interest Rate: 4.20% to 6.00%					
Original Amount: \$760,800					
Maturing in installments through July 1, 2026.	580,825	--	(580,825)	--	--
<b><u>Orange County Public Financing Authority</u></b>					
<b><u>Lease Revenue Refunding Bonds, Series 2005:</u></b>					
Date Issued: August 16, 2005 to refund and defease the 1996 Recovery Certificates of Participation - Series 1996A.					
Interest Rate: 3.00% to 5.75%					
Original Amount: \$419,756					
Maturing in installments through July 1, 2017.	--	439,728	--	439,728	47,072
Deferred Amount on Refunding	--	(24,485)	--	(24,485)	(2,129)

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

**Schedule of Long-Term Debt Obligations, Fiscal Year 2005-06 (Continued)**

Description	Balance July 1, 2005	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2006	Amounts Due within One Year
<b><u>Orange County Public Facilities Corporation, Refunding Certificates of Participation: (Civic Center Parking Facilities Project)</u></b>					
Date Issued: August 1, 1991 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB)					
To refund prior December 22, 1987 bond issue					
Interest Rate: CIB - 4.40% to 6.75%					
Interest Rate: CAB - 6.85% to 7.05%					
Original Amount: CIB - \$24,495					
Original Amount: CAB - \$9,084					
Maturing in installments through December 1, 2018.					
	\$ 9,084	\$ --	\$ (992)	\$ 8,092	\$ 927
<b><u>Orange County Financing Authority Tax Allocation Revenue Bonds - Series 1992 A: (Neighborhood Development and Preservation Project)</u></b>					
Date Issued: June 1, 1992 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB)					
To refund prior June 1, 1989 Orange County Development Agency bond issue					
Interest Rate: CIB - 4.50% to 6.50%					
Interest Rate: CAB - 6.50% to 6.55%					
Original Amount: CIB - \$27,150					
Original Amount: CAB - \$932					
Maturing in installments through September 1, 2022.					
	600	--	(309)	291	290
<b><u>Orange County Development Agency Tax Allocation Refunding Bonds - Series 2001: (Neighborhood Development and Preservation Project)</u></b>					
Date Issued: July 11, 2001					
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.					
	24,440	(7)	(290)	24,143	312
Deferred Amount on Refunding	(987)	55	--	(932)	(55)

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

**Schedule of Long-Term Debt Obligations, Fiscal Year 2005-06 (Continued)**

Description	Balance July 1, 2005	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2006	Amounts Due within One Year
<b><u>Orange County Public Financing Authority</u></b>					
<b><u>Juvenile Justice Center Facility Lease Revenue</u></b>					
<b><u>Refunding Bonds - Series 2002</u></b>					
Date issued: May 1, 2002, and delivered April 24, 2002, to refund the outstanding Refunding Certificates of Participation.					
Interest Rate: 3.00% to 5.50%					
Original Amount: \$80,285					
Maturing in installments through June 1, 2019.	\$ 72,712	\$ 4	\$ (3,870)	\$ 68,846	\$ 3,990
Deferred Amount on Refunding	(3,062)	219	--	(2,843)	(219)
<b><u>Orange County Development Agency</u></b>					
<b><u>Santa Ana Heights Project Area 2003</u></b>					
<b><u>Tax Allocation Refunding Bonds:</u></b>					
Date Issued: November 13, 2003 to refund prior August 1, 1993 bond issue					
Interest Rate: 2.00% to 5.25%					
Original Amount: \$38,465					
Maturing in installments through September 1, 2023.	38,467	(31)	(1,341)	37,095	1,416
Deferred Amount on Refunding	(1,695)	92	--	(1,603)	(92)
<b><u>County of Orange</u></b>					
<b><u>Taxable Refunding Pension</u></b>					
<b><u>Obligation Bonds - Series 1996 A:</u></b>					
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CIB)					
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)					
To refund prior September 1, 1994 bond issue.					
Interest Rate: CIB - 7.47% to 7.72%					
Interest Rate: CAB - 8.09% to 8.26%					
Original Amount: CIB - \$81,680					
Original Amount: CAB - \$40,000					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).	64,652	--	(8,996)	55,656	6,100

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

**Schedule of Long-Term Debt Obligations, Fiscal Year 2005-06 (Continued)**

Description	Balance July 1, 2005	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2006	Amounts Due within One Year
<b><u>County of Orange</u></b>					
<b><u>Taxable Refunding Pension</u></b>					
<b><u>Obligation Bonds - Series 1997 A:</u></b>					
Date Issued: January 1, 1997 - Current Interest Rate Bonds (CIB)					
Date Issued: January 14, 1997 - Capital Appreciation Bonds (CAB)					
To refund a substantial portion of the September 1, 1994 bond issue.					
Interest Rate: CIB - 5.71% to 7.36%					
Interest Rate: CAB - 7.33% to 7.96%					
Original Amount: CIB - \$71,605					
Original Amount: CAB - \$65,318					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB).					
	\$ 47,120	\$ --	\$ (3,062)	\$ 44,058	\$ 3,723
<b><u>Orange County Special Financing Authority</u></b>					
<b><u>Teeter Plan Revenue Bonds -</u></b>					
<b><u>Series A through E:</u></b>					
Date Issued: June 1, 1995					
Interest Rate: Variable (Series A,B,C,D and E)					
Original Amount: \$155,000					
Maturing in installments through November 1, 2014.					
	123,725	--	--	123,725	--
<b><u>Orange County Public Financing Authority,</u></b>					
<b><u>Telecommunications Equipment Project</u></b>					
<b><u>Lease Revenue Bonds - Series 2001</u></b>					
Date Issued: April 1, 2001					
Interest Rate: 4.00%					
Original Amount: \$10,330					
Maturing in installments through December 15, 2008.					
	6,245	--	(1,471)	4,774	1,530
<b>Subtotal - Governmental Funds</b>	<b>1,172,831</b>	<b>561,370</b>	<b>(826,236)</b>	<b>907,965</b>	<b>74,266</b>

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

**Schedule of Long-Term Debt Obligations, Fiscal Year 2005-06 (Continued)**

<u>Description</u>	<u>Balance July 1, 2005</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due within One Year</u>
<b><u>Enterprise Funds:</u></b>					
<b><u>Airport Revenue Refunding Bonds -</u></b>					
<b><u>Series 1997:</u></b>					
Date Issued: April 2, 1997 to refund \$131,490 of the 1987 Airport Revenue bond issue Interest Rate: 5.00% to 6.00% Original Amount: \$135,050 Maturing in installments through July 1, 2012.					
	\$ 83,665	\$ (130)	\$ (9,020)	\$ 74,515	\$ 9,625
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(1,225)	476	--	(749)	(220)
<b><u>Airport Revenue Refunding Bonds -</u></b>					
<b><u>Series 2003:</u></b>					
Date Issued: May 29, 2003 to refund 1993 Airport Revenue bond issue Interest Rate: 2.50% to 5.00% Original Amount: \$48,680 Maturing in installments through July 1, 2018.					
	49,854	(486)	(2,480)	46,888	3,018
Deferred Amount on Refunding (2003 Airport Revenue Bonds)	(8,750)	1,252	--	(7,498)	(1,192)
<b><u>Orange County Public Financing Authority</u></b>					
<b><u>Waste Management System Refunding Revenue</u></b>					
<b><u>Bonds - Series 1997:</u></b>					
Date Issued: November 18, 1997 to refund \$77,445 of the OCPFC 1988 Certificate of Participation (Solid Waste Management System) Interest Rate: 4.375% to 5.75% Original Amount: \$77,300 Maturing in installments through December 1, 2013.					
	51,931	(172)	(4,515)	47,244	4,919
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(2,545)	573	--	(1,972)	(527)
<b>Subtotal - Enterprise Funds</b>	<b>172,930</b>	<b>1,513</b>	<b>(16,015)</b>	<b>158,428</b>	<b>15,623</b>
<b>Total</b>	<b>\$ 1,345,761</b>	<b>\$ 562,883</b>	<b>\$ (842,251)</b>	<b>\$ 1,066,393</b>	<b>\$ 89,889</b>

**10. 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>	
2007	\$ 76,960	\$ 51,714	\$ 16,880	\$ 8,728	\$ 154,282
2008	84,836	48,150	17,795	7,813	158,594
2009	73,046	45,382	18,790	6,815	144,033
2010	81,339	42,624	19,810	5,793	149,566
2011	78,610	43,295	20,895	4,709	147,509
2012-2016	404,422	215,487	58,365	9,061	687,335
2017-2021	101,476	95,925	12,690	1,290	211,381
2022-2026	12,403	3,805	--	--	16,208
Total	913,092	546,382	165,225	44,209	1,668,908
Add: Premium	34,112	--	3,422	--	37,534
Less: Deferred amount on refunding	(39,239)	--	(10,219)	--	(49,458)
Principal payable, net	<u>\$ 907,965</u>	<u>\$ 546,382</u>	<u>\$ 158,428</u>	<u>\$ 44,209</u>	<u>\$ 1,656,984</u>

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

**Changes in Long-Term Liabilities:**

Long-term liability activities for the year ended June 30, 2006 were as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds and COPs payable:					
Revenue bonds	\$ 261,180	\$ 419,756	\$ (7,281)	\$ 673,655	\$ 54,015
Certificates of participation	589,909	--	(581,817)	8,092	927
Pension obligation bonds	111,772	--	(12,058)	99,714	9,823
Recovery bonds	210,705	146,006	(225,080)	131,631	12,195
Add: Premium on bonds payable	5,009	29,290	(187)	34,112	843
Less: Deferred amount on refunding	(5,744)	(35,968)	2,473	(39,239)	(3,537)
Total bonds & COPs payable	<u>1,172,831</u>	<u>559,084</u>	<u>(823,950)</u>	<u>907,965</u>	<u>74,266</u>
Interest on capital appreciation bonds	85,873	12,793	--	98,666	--
Other long-term liabilities:					
Compensated employee absences payable	148,561	122,271	(126,014)	144,818	78,266
Arbitrage rebate payable	138	12	(91)	59	--
Pool participant claims	800	--	(800)	--	--
Capital lease obligations payable	106,189	396	(5,039)	101,546	4,849
Insurance claims payable	134,511	94,320	(89,182)	139,649	51,250
Net pension obligation	760	260	(270)	750	--
Total other long-term liabilities	<u>390,959</u>	<u>217,259</u>	<u>(221,396)</u>	<u>386,822</u>	<u>134,365</u>
<b>Total Governmental Activities Long-term Liabilities</b>	<b><u>\$ 1,649,663</u></b>	<b><u>\$ 789,136</u></b>	<b><u>\$ (1,045,346)</u></b>	<b><u>\$ 1,393,453</u></b>	<b><u>\$ 208,631</u></b>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 181,240	\$ --	\$ (16,015)	\$ 165,225	\$ 16,880
Add: Premium on bonds payable	4,210	--	(788)	3,422	682
Less: Deferred amount on refunding	(12,520)	--	2,301	(10,219)	(1,939)
Total revenue bonds payable, net	<u>172,930</u>	<u>--</u>	<u>(14,502)</u>	<u>158,428</u>	<u>15,623</u>
Other long-term liabilities:					
Compensated employee absences payable	4,670	3,302	(3,715)	4,257	2,063
Arbitrage rebate payable	148	64	--	212	--
Landfill site closure/postclosure liabilities	178,297	10,487	(11,527)	177,257	937
Total other long term liabilities	<u>183,115</u>	<u>13,853</u>	<u>(15,242)</u>	<u>181,726</u>	<u>3,000</u>
<b>Total Business-type Activities Long-term Liabilites</b>	<b><u>\$ 356,045</u></b>	<b><u>\$ 13,853</u></b>	<b><u>\$ (29,744)</u></b>	<b><u>\$ 340,154</u></b>	<b><u>\$ 18,623</u></b>

## **10. LONG-TERM OBLIGATIONS (Continued)**

### **Compensated Employee Absences**

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2006 is \$144,818 compared with \$148,561 at June 30, 2005. 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.

### **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, 2006, amounted to \$784,055.



**11. CONDUIT DEBT OBLIGATIONS**

From 1980 through 2006 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, 2006, there were 81 series of bonds outstanding, with an aggregate principal amount payable of \$1,005,648.

**12. LEASES**

Commitments Under Operating Leases

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

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2007	\$ 20,386	\$ 25,157	\$ 45,543
2008	15,508	23,077	38,585
2009	8,497	20,713	29,210
2010	4,476	18,568	23,044
2011	3,220	14,306	17,526
2012-2016	44	28,727	28,771
2017-2021	--	1,064	1,064
Total	<u>\$ 52,131</u>	<u>\$ 131,612</u>	<u>\$ 183,743</u>

Total rent expenditures for operating leases incurred for FY 2005-06 was \$46,787.

Capital Leases

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

Land	\$ 24,047
Equipment	2,669
Less: Accumulated Depreciation	(1,762)
Structures & Improvements	101,738
Less: Accumulated Depreciation	(16,901)
Total	<u>\$ 109,791</u>

**12. LEASES (Continued)**

Capital Leases (Continued)

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, 2006:

<u>Fiscal Year Ending June 30</u>		
2007	\$	13,210
2008		13,428
2009		13,696
2010		12,241
2011		11,176
2012-2016		47,870
2017-2021		45,992
2022-2026		26,793
2027		490
Total minimum lease payments		184,896
Less: amount representing interest		(83,350)
Present value of net minimum lease payments	\$	101,546

**13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS**

State laws and regulations require the Integrated Waste Management Department (IWMD) to place final covers on its landfill sites when the landfills stop accepting waste and to perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, IWMD will report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of 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.

**13. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)**

The total landfill closure and postclosure care liability at June 30, 2006 was \$177,257. The total liability represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date (41.19%), 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 \$162,478 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 2005-06 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 2067. 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, and Prima Deshecha landfills into escrow funds held by the County. As of June 30, 2006, \$98,632 has been set aside for closure and postclosure care 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.

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, 2006, 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:

Project Title	Remaining Commitments
Governmental Activities:	
General Fund	
Central Justice Center - Phase II - HVAC/ADA	\$ 3,603
South County Courthouse Design	2,586
Central Garage - Construct Seismic Retrofit	2,358
Emergency Communications Bureau	1,455
	10,002
Roads	
Laguna Canyon Road - State Route 73 to Interstate 405	17,766
Warner Avenue Bridge - Over Santa Ana River	3,931
Foothill Circulation Phasing Plan - Alton-Irvine Boulevard to Foothill Transportation Corridor	1,598
	23,295
Flood Control District	
Acquisition of Parcel No. R3101	22,050
Building 2301 N Glassell St	5,328
Building 2245 N Glassell St	4,992
Land 222 E Bristol Ln	4,218
Building 222 E Bristol Ln	3,182
Land 2301 N Glassell St	2,072
Land 2245 N Glassell St	2,808
	44,650
Harbors, Beaches and Parks	
O'Neill Park Sewer Conversion	5,764
Laguna Coast Wilderness Park Interpretive Center	1,022
	6,786
Other Governmental Funds	
Vehicles for the Transportation Internal Service Fund	3,159
Santa Ana Heights Redevelopment Sewer Improvements	2,733
	5,892
Business-Type Activities:	
Integrated Waste Management	
Excavation and Ground Water Protection	4,251
Environmental Services - Phase 8 Forward	2,249
	6,500
Total commitments	\$ 97,125

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

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.

As of June 30, 2006, the OCFCD expended \$320,000 on the Project. The COE's estimated combined cost for all Project components has been increased from last year's estimate of \$1,400,000 to \$1,700,000, primarily due to the increased cost for acquisition of real property rights for the Prado Dam Project. OCFCD's cost share for Prado Dam Project acquisitions, relocations (of roads, bridges, trails, and utilities), environmental mitigation, and cash contributions for construction has increased from \$206,000 to \$276,000. The OCFCD and COE are also evaluating relocation/protection options for the Santa Ana River Interceptor (SARI) sewage line, which runs through Prado Dam and under the SAR in portions of the SAR Canyon. OCFCD's cost share for this probable additional Project requirement has not yet been determined; however, total estimated costs for the entire relocation/protection task are estimated at about \$67,000.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino and Orange counties have been completed; however, the COE has been constructing minor modifications to the Seven Oaks Dam invert structure and tunnel. 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 has continued and is currently scheduled for completion in late 2007 or early 2008. Landscaping along the SAR in Orange County is underway and is expected to be completed in 2007. Design for the construction of interior dikes in the Prado Dam reservoir, and for improvements and protection of SR 91 in the SAR Canyon are also underway; and some dike construction is scheduled to start in 2007. Several environmental mitigation studies and restoration/preservation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam, and along the lower SAR in Orange County up to Weir Canyon Road are completed. The escrow for purchase of the Green River Golf Course was closed on September 29, 2006. This property is required for construction of protection along SR 91 and nearby mobile homes, open space/recreation mitigation, and to accommodate increased flooding when the Prado Dam outlet gates are constructed and operational. Since approval of the PCA in February 2003, the OCFCD has also been acquiring property rights for the Prado Dam Project, subject to the availability of funding.

The Project has been authorized by the State Legislature for reimbursement of up to 70% of the Local Sponsors' expenses through the State Flood Control Subvention Fund, which is administered by the Department of Water Resources (DWR). To date, the OCFCD has submitted \$187,000 in claims, and received \$122,000 in reimbursements. An additional \$38,000 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.

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

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 State 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. Excess liability insurance provides up to an additional \$40,000 in liability coverage. There have never been verdicts or settlements that exceeded the self-insurance threshold. Accordingly, no verdicts or settlements have been paid under the excess insurance policy.

Independent actuarial studies are secured annually for the Workers' Compensation and Property and Casualty Risk ISFs. The reported unpaid claims liabilities are based on the results of those annual actuarial studies and include case reserves, development of known claims, incurred but not reported claims, and allocated loss adjustment expenses. Unpaid claims liabilities are calculated considering inflation, claims cost trends, including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Unpaid claims liabilities have been discounted at a rate of 4% 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, 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 also has an Unemployment Insurance ISF, which covers all employees, and County Preferred Provider Organization (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 County's PPO Plans have a lifetime coverage maximum of \$1,000 for each covered employee or dependent. The dental insurance coverage is up to \$1,500 annually (absolute dollars) for each covered employee or dependent. The short-term disability insurance coverage is up to 12 months or when the employee returns to work, whichever comes first.

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.

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

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

	Workers' Compensation	Property & Casualty Risk	Health & Other Insurance Benefits	Total
Unpaid Claims, Beginning of FY 2004-05	\$ 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	\$ 96,981	\$ 26,667	\$ 10,863	\$ 134,511
Claims and Changes in Estimates	34,050	10,052	50,218	94,320
Claim Payments	(25,911)	(12,535)	(50,736)	(89,182)
Unpaid Claims, End of FY 2005-06	<u>\$ 105,120</u>	<u>\$ 24,184</u>	<u>\$ 10,345</u>	<u>\$ 139,649</u>

**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

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

### Refuse Disposal Stations (Continued)

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.

- *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
- *La Veta Refuse Disposal Station #2*, City of Orange – Potential Litigation

Coyote Canyon Landfill #24 The County of Orange operated Coyote Canyon Landfill on property owned by The Irvine Company pursuant to a lease agreement originally approved in 1963. The landfill ceased operations in 1990. The County continues to occupy the property under the holdover provisions of the lease. The Irvine Company reserved all rights to landfill gas at the site and contracted with a landfill gas developer to convert landfill gas to electricity. The Irvine Company contends that, despite its ownership of landfill gas rights, the County, and not The Irvine Company, is responsible for all regulatory control of landfill gas at the Landfill and any potential future liabilities that may relate to landfill gas. The County disputes these assertions. On December 30, 2003, The Irvine Company initiated litigation seeking declaratory relief. On June 27, 2006, by a unanimous vote, the Board approved a proposed contingent settlement. The settlement requires that certain events occur, including the negotiation and finalization of ancillary agreements, before the litigation is dismissed. To allow time for the contingencies to be resolved, the Court stayed the litigation until January 30, 2007.

On November 21, 2006 the Board of Supervisors approved a series of agreements implementing the obligations created by the Settlement Agreement. These agreements are on file with the Clerk of the Board of Supervisors. Under the Settlement Agreement and the various subsequent agreements implementing the Settlement Agreement, fee title to the Coyote Canyon Landfill will be conveyed to and accepted by the County of Orange and The Irvine Company will assign to the County all of The Irvine Company's rights and obligations in agreements related to the Coyote Canyon Landfill including but not limited to agreements concerning the landfill gas generated at the Coyote Canyon Landfill. As a result of these agreements The Irvine Company will have no further interests in the Coyote Canyon Landfill and no further interest in or obligations concerning the landfill gas at the Coyote Canyon Landfill. The County and The Irvine Company have agreed to secure a pollution liability policy of insurance from AIG in the amount of \$50,000 with a \$100 deductible per pollution incident with both the County and The Irvine Company as named insureds (Coyote Canyon Pollution Liability Policy). This policy will have a 10 year term and the full premium will be paid within 30 days of the policy being bound. The Irvine Company and the County have also entered into an Indemnity and Release Agreement under which the County agrees to indemnify and hold harmless The Irvine Company for any liability related to the County's landfill operations at the Coyote Landfill not covered by the Coyote Canyon Pollution Liability Policy.

It is anticipated that the transfer of the Coyote Canyon Landfill to the County will be completed before December 31, 2006. The pollution liability policy will be effective as of the date that the fee interest in the Coyote Canyon Landfill is conveyed to the County. The litigation will be dismissed with prejudice once the Coyote Canyon Landfill is conveyed to the County.



**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 was subsequently spent on impermissible items. The Complaint 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 \$1,218 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 appealed the judgment. The plaintiff also appealed portions of the judgment. Briefing is complete. Oral argument is scheduled to take place on January 2, 2007

On July 1, 2003, plaintiff filed a new complaint (Orange County Superior Court Case (OCSC) 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. This lawsuit is related to the pending litigation in OCSC cases 04CC00664 and 05CC00278, and it addresses many of the same legal and factual issues that are the subject of the pending appeal in OCSC Consolidated cases No. 814037 and 01CC04025. Litigation in this case has been stayed pending the outcome of the appeal.

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. This lawsuit is related to the pending litigation in OCSC cases No. 03CC00235 and 05CC00278, and it addresses many of the same legal and factual issues that are the subject of the pending appeal in OCSC Consolidated cases No. 814037 and 01CC04025. Litigation in this case has been stayed pending the outcome of the appeal.

Plaintiff filed another complaint (Orange County Superior Court Case No. 04CC00278) against the County for declaratory relief, validation and Petition for Mandate challenging Orange County's 2005 Ordinance setting fees for building permits and plan reviews. The County has filed its answer and discovery has commenced. This lawsuit is related to the pending litigation in OCSC cases No. 03CC00235 and 04CC00664, and it addresses many of the same legal and factual issues that are the subject of the pending appeal in OCSC Consolidated cases No. 814037 and 01CC04025. Litigation in this case has been stayed pending the outcome of the appeal.

*William B. Bunker, etc., et al. v. County of Orange* This action has been settled and the County is in the process of completing the terms of the settlement. In this action, Plaintiff contended that the County 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. Plaintiff sought 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 pursuant to Revenue and Taxation Code section 2635.

The case is now settled. Pursuant to the settlement, taxpayers who were potentially entitled to receive notice under section 2635 were given notice of the class action; only 430 claims were filed. The County, along with the Claims Administrator, has processed these claims. The Claims Administrator determined that approximately 270 of these claims were valid. On or about August 2, 2006, the taxpayers who had valid claims were mailed notice that they may file a claim for refund. These taxpayers have one year from the date

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

William B. Bunker, etc., et al. v. County of Orange (Continued)

of the notice to file a claim for tax refund with the County. Assuming that each of these taxpayers actually file a claim for refund, the refunds will total over \$1,700. In addition, the interest on the refunds could be more than double the amounts of the refunds. However, the refund and interest amounts would be borne by the various taxing entities in the same proportion that property tax revenues are distributed. The County would ultimately be responsible for approximately 10% of the potential total refund and interest amount. The actual amount of the liability is not known at this time, however an estimated \$340 liability has been accrued in the financial statements.

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.

The 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.

The action has been coordinated with other similar actions pending against various counties throughout the State. The court granted the counties joint demurrer and dismissed the counties from the action. Plaintiff may appeal the court ruling on the demurrer.

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

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.

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.

American Manufacturers Mutual Insurance Company v. County of Orange (Orange County Superior Court Case No. 06CC06260) On May 22, 2006, the County was served with a lawsuit by American Manufacturers Mutual Insurance Company. The complaint alleges causes of action for breach of contract, subrogation, indemnification and declaratory relief against the County for failure to pay retention on the Superior Court remodel projects. The complaint specifically alleges a violation of the prompt pay statute. The prayer in the Complaint alleges damages totaling \$1,430 plus a claim for prompt pay violations which, if proven, would include an award for attorney's fees and interest. The County has answered the complaint and the case is processing with discovery. This case was settled for \$785 in November 2006.

Margaret Reed v. County of Orange (USDC, Central District of California, Case No. SACV05-1103CJC) Margaret Reed (Reed) is a Deputy Sheriff employed by the County of Orange (County). She filed this action against the County on behalf of herself and "those similarly situated" alleging that the County owes her and other similarly situated deputies compensable regular and overtime pay. In her First Amended Complaint (Complaint) she alleges that the County violated the Fair Labor Standards Act, 29 U.S. C. Section 201 *et seq.* (FLSA) and is requesting that this action be certified as a "collective action." She is seeking an unspecified amount of damages.

The County denies that it is has any liability in this matter, or that it breached any alleged duty. However, at this preliminary stage of the litigation, 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 allows the collective action, and if so, the number of potential plaintiffs.

Potential Litigation over Retiree Medical Plan Benefits and Retiree Health Insurance On September 12 and 25 and October 24, 2006, the County Board of Supervisors approved agreements with a number of employee bargaining units addressing the County's Retiree Medical Plan and the method by which current employee and retiree health insurance premiums would be determined. These changes include, but are not limited to, separately pooling current employees and retirees for the purposes of health premium setting beginning in 2008, reducing the maximum annual adjustment in the Plan Grant from 5% to 3% beginning in 2008 and reducing the Plan Grant by 50% for retirees eligible for Medicare Parts A and B. Published reports and statements before the Board of Supervisors suggest that retirees may bring litigation to challenge the changes to the Retiree Medical Plan and Retiree Health Premium methodology.

No claim or litigation has been filed against the County and the County is unable to assess the likelihood of success of such litigation if it is ever initiated. However, should litigation be brought against the County and prove successful, the resulting County liability could result in a major financial impact on the County.

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

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

### Medicare Investigation (Continued)

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 once 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](http://www.ocers.org), in writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

According to OCERS most recent public report dated December 31, 2005, 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, 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.

## 17. RETIREMENT PLANS (Continued)

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

#### Plan Description (Continued)

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 2005-06, employer's contributions, as a percentage of covered payrolls, were 16.27% for General members, 38.89% for Safety-Law Enforcement members and 14.80% for Safety-Probation members.

Effective June 28, 2002, Safety member's 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 now earn benefits under a 3% at 50 benefits formula. 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 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 or Plan J 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 employee associations 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 (approximately 860 employees) did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. These previous benefit formulas are an annual annuity equal to: 2% of the "final compensation" for each year of service rendered at age 57 for Tier I General members; and 1.6667% of the member's "final compensation" for each year of service rendered at age 57.5 for Tier II General members.

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.

## 17. RETIREMENT PLANS (Continued)

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

Actuarial Valuation and Funding Methodology OCERS is funded pursuant to the Entry Age Normal funding method. Among the actuarial assumptions currently used in valuing the plan are (i) an investment return assumption of 7.75%, (ii) a policy to amortize OCERS UAAL as of December 31, 2004 over a 30-year period, (iii) amortizing any increases or decreases in UAAL that arise in the future years due to actuarial gains or losses over a period of 15 years, (iv) all amortizations conducted on a level percent of pay basis and (v) a 3.5% inflation assumption. Actuarial assumptions are subject to change.

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; Note 9, Short-Term Obligations; and Note 10, 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 (Revised) In 2004, OCERS retained the Segal Company as its actuary to complete an actuarial valuation of OCERS (the 2004 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 \$1,309,334. The revised Valuation calculated the UAAL as of December 31, 2004 to be \$2,158,151.

The \$848,817 increase in the UAAL was attributable to a number of factors including the following:

- Differences between the 2004 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 age 55 formula for the County, Orange County Superior Court and Orange County Fire Authority general members; 2.5% at age 55 for the Orange County Sanitation District; and 3% at age 50 for the County's safety officers.

The 2004 Valuation determined that the ratio of the valuation assets to actuarial accrued liabilities decreased from 78.5% as of December 31, 2003 to 70.85% as of December 31, 2004. The 2004 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 (Revised) (Continued)

The average aggregate employer contribution rate for the County in the 2004 Valuation increased from 18.92% of payroll beginning July 1, 2005 to 24.29% 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.

December 31, 2005 Actuarial Valuation OCERS December 31, 2005 actuarial valuation (the 2005 Valuation) was completed by Segal Company. The 2005 Valuation calculated UAAL as of December 31, 2005 as \$2,303,010, increased from \$2,158,151 as of December 31, 2004. The ratio of the valuation value of assets to actuarial accrued liabilities in the 2005 Valuation is 71.53%. The aggregate employer contribution rate in the 2005 Valuation increased slightly from 24.29% of payroll to 24.30% of payroll beginning July 1, 2007. Employee rates, some of which are contributed by the County under existing bargaining agreements, will also decrease slightly from that in the 2004 Valuation, primarily due to changes in membership demographics.

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 9.35% per year.

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

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
(3.22%)	(5.46%)	19.84%	11.40%	8.83%

*Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2005*

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  
 Changes in Net Assets**

	Years Ended December 31		
	2003	2004	2005
Contributions Received:			
Employer Contributions	\$ 124,243	\$ 194,430	\$ 226,130
Employee Contributions	81,581	81,931	107,544
Net Investment Gains	788,036	568,027	460,431
Net Securities Lending Income and Other Income	1,050	973	1,549
Participant Benefits	(210,273)	(230,684)	(257,929)
Withdrawals and Refunds	(6,412)	(7,845)	(6,999)
Administrative Expenses	(8,848)	(9,463)	(9,953)
Increases in Plan Net Assets	\$ 769,377	\$ 597,369	\$ 520,773

*Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2005*

**17. RETIREMENT PLANS (Continued)**

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

Actuarial and Funding Status (Continued)

The following table 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, 2005, OCERS' actuarial valuation of assets still reflected the deferral of approximately \$124,576 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 AAL <sup>(1)</sup>	Funded Ratio <sup>(2)</sup>	Covered Payroll <sup>(3)</sup>	Underfunded AAL as a Percentage of Covered Payroll <sup>(4)</sup>
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 <sup>(5)</sup>	5,245,821	7,403,972	2,158,151	70.85%	1,257,085	171.68%
2005	5,786,617	8,089,627	2,303,010	71.53%	1,276,764	180.38%

- (1) Commonly referred to as UAAL - actuarial value of assets minus actuarial accrued liability
- (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 2005*

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, 2006, \$159,090 of such proceeds remain available for future credits to the County's pension obligations.

The County made two prepayments of pension costs to realize prepayment discount savings offered by OCERS. A cash payment of \$88,270 was made in July 2005 for 50% of the FY 2005-06 pension costs. The pension cost discount savings were 3% of \$91,000 or \$2,730. On January 30, 2006, the County issued its \$105,991 Taxable Pension Obligation Bonds, Series 2006 (the 2006 POBs). The County issued the 2006 POBs along with a cash payment of \$9,106 for a total prepayment of \$114,947 following OCERS decision to grant a 7.75% discount to the County FY 2006-07 contributions pre-paid to OCERS prior to January 31, 2006. The 2006 POBs mature on June 29, 2007. See Note 9, Short-Term Obligations, and Note 3, Deposits and Investments, for details.



**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**

Year Ended	County Cash Contribution	OCERS Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
06/30/04	\$ 114,847	\$ 33,309	\$ 148,156	100%
06/30/05	175,119	7,158	182,277	100%
06/30/06	201,251	11,596	212,847	100%

**County Administered Pension Plans**

**County of Orange 401(a) Defined Contribution 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 was closed to the attorneys effective June 24, 2005. 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, 2006, the plan has 753 active participants and 27 inactive 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 3% 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, 2006 were \$685 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, 2006, the value of plan assets was \$5,224.

**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 65<sup>th</sup> birthday. The County Board of Supervisors has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan.

The plan was closed to new participants as of February 28, 2002. As of June 30, 2006, the plan consists of 203 active plan participants, 267 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 \$612. 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.

**17. RETIREMENT PLANS (Continued)**

**County Administered Pension Plans (Continued)**

**Defined Benefit Retirement Plan (Continued)**

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, 2005.

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 (a) normal cost, (b) minus employee contribution, (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.

For the fiscal year ended June 30, 2006, the County's annual required contribution was \$270. The required contribution was determined as part of the July 2006 actuarial valuation report, which used the projected unit credit actuarial cost method. The actuarial assumptions included (a) 6.5% investment return, net of administrative expenses, (b) RP2000 Mortality Tables projected to 2010 with no collar distinction for males and females (previously 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 3.0% 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 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)
06/30/01	\$ 3,419	\$ 4,149 *	\$ 730	82.4%	\$ 19,676	3.70%
06/30/02	4,121	7,035	2,914	58.6%	24,192	12.00%
06/30/03	4,655	8,137 *	3,482	57.2%	25,160 **	13.80%
06/30/04	4,707	8,124	3,417	57.9%	9,306	36.70%
06/30/05	4,387	7,329 ***	2,942	59.9%	6,112	48.10%
06/30/06	4,612	7,222 ****	2,610	63.9%	5,318	49.10%

\* 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

\*\*\*\* June 30, 2006 Actuarial Accrued Liability based on June 30, 2005 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:

	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/06</u>
Annual required contribution	\$ 336	\$ 342	\$ 270
Interest on net pension obligation	24	42	42
Adjustment to annual required contribution	(30)	(53)	(52)
Annual pension cost	<u>330</u>	<u>331</u>	<u>260</u>
Contributions made	-	(342)	(270)
Increase/Decrease in net pension obligation	<u>330</u>	<u>(11)</u>	<u>(10)</u>
Net pension obligation, beginning of year	441	771	760
Net pension obligation, end of year	<u>\$ 771</u>	<u>\$ 760</u>	<u>\$ 750</u>

**Schedule of Employer Contributions**

Year Ended <u>June 30</u>	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
2001	\$ 73	0 %	\$ 101
2002	65	0 %	166
2003	277	0 %	441
2004	336	0 %	771
2005	342	100 %	760
2006	270	100 %	750

**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, 2006, there were 1,953 active participants and 212 inactive 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.

**17. RETIREMENT PLANS (Continued)**

**County Administered Pension Plans (Continued)**

**Extra-Help Defined Contribution Plan (Continued)**

Plan Description (Continued)

If a participant's employment status changes from a part-time or extra-help employee to a permanent full-time employee or a part-time employee working 20 hours or more per week, those participants may elect to transfer the balance to the County's Deferred Compensation Plan or leave the balance in the plan until they are no longer employed with the County.

Funding Policy Participants in the plan are required to contribute 7.5% of compensation each pay period. The contributions are invested in a stable value fund offered through GWFS Equities, Inc., which is designed to protect principal and maximize earnings. There is no additional contribution made by the County. Total employee contributions for the year ended June 30, 2006 were \$631 by the employees and zero by the County.

Administrative 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, 2006:

	Total	Extra-Help Defined Benefit Retirement Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
<b><u>Statement of Net Assets</u></b>				
Pooled Cash/Investments	\$ 4,569	\$ 4,569	\$ --	\$ --
Restricted Cash and Investments with Trustee	7,375	--	2,151	5,224
Receivables:				
Interest/Dividends	28	28	--	--
Due from Other Governmental Agencies	750	750	--	--
Total Net Assets Held in Trust	\$ 12,722	\$ 5,347	\$ 2,151	\$ 5,224

**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>
<b><u>Statement of Changes in Net Assets</u></b>				
Additions:				
Contributions to Pension Trust:				
Employer	\$ 954	\$ 270	\$ --	\$ 684
Employee	981	351	630	--
Interest and Investment Income	557	165	76	316
Less: Investment Expense	(4)	(4)	--	--
Total Additions	<u>2,488</u>	<u>782</u>	<u>706</u>	<u>1,000</u>
Deductions:				
Benefits Paid to Participants	551	61	260	230
Refunds of Prior Contributions	521	521	--	--
Total Deductions	<u>1,072</u>	<u>582</u>	<u>260</u>	<u>230</u>
Change in Net Assets Held in Trust For:				
Employee's Retirement	1,416	200	446	770
Net Assets Held in Trust at July 1, 2005	<u>11,306</u>	<u>5,147</u>	<u>1,705</u>	<u>4,454</u>
Net Assets Held in Trust at June 30, 2006	<u>\$ 12,722</u>	<u>\$ 5,347</u>	<u>\$ 2,151</u>	<u>\$ 5,224</u>

**18. POSTEMPLOYMENT 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. The Medical Plan is not required by the Retirement Law.

Under the Medical Plan, eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly health plan and/or Medicare premiums. The monthly 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 2006 is \$15.99 (in absolute dollars) per year of County service, and the maximum monthly Grant is \$399.75 (absolute dollars). The base number is adjusted annually based on a formula defined in the Plan document, with a maximum increase/decrease of 5%.

In order to be eligible to receive the Grant upon retirement, the employee must be at least 50 years of age, have completed at least 10 years of County service (although exceptions for disability retirements exist), be enrolled in a County Sponsored health plan and/or Medicare and be able to receive a monthly benefit payment from OCERS. The amount of the Grant is netted against the monthly health plan and/or Medicare premium payable by the retiree for retiree and dependent coverage, with the retiree obligated to pay the remaining balance. Any Grant in excess of the monthly health plan and/or Medicare premium payable 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 that the employee/retiree was eligible to receive.

## 18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

### Plan Description (Continued)

In addition to the Grant, the Medical Plan provides a lump sum benefit payment to terminated employees not eligible for the Grant. The lump sum benefit payment is equal to 1% of the employee's final average hourly pay (as defined), multiplied by the employee's qualifying hours of service (as defined) 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 FY 2005-06 Medical Plan benefits are derived from two sources: first, County contributions, including a portion of employee contributions described below; and second, certain funds set aside in OCERS. The source of the funds within OCERS is certain investment earnings that exceed the assumed actuarial rate of return. Due to several years of realized gains on OCERS' assets of less than the assumed actuarial rate of return, excess reserves have been depleted and a fund set aside for interim funding of the Medical Plan, the Retiree Member Benefit Reserve (RMBR), 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 immediate future.

In August 2004, the County and OCERS approved an amended and restated Additional Retiree Benefit Account (ARBA) agreement (the "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 1% of General Fund payroll. Since RMBR is not currently funded at the two year level, the County began paying \$470, 1% of payroll, to OCERS on July 1, 2005. Current projections show that the current funding sources will fall short of meeting long term funding requirements. For FY 2005-06, the Plan contributed \$17,533 in Retiree Medical Grants for retiree health premiums.

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

Actuarial Valuation (Unaudited) In November 2005, the County received a June 30, 2005 actuarial valuation for County of Orange Retiree Healthcare Plan (the "Report") from an outside consultant, Bartel Associates, LLC. The Report is based upon data as of June 30, 2005 and includes County employees and employees of other governmental entities who use the County's benefits system. The Report is intended to determine retiree healthcare plan benefit obligations as of June 30, 2005 pursuant to Governmental Accounting Standards Board Statement No. 45 (GASB 45). The County is required and intends to report in conformity with GASB 45 beginning with fiscal year 2007-08. In addition to liabilities for the Grant and lump sum payments under the Medical Plan, the Report includes liabilities for the value of the implied "subsidy" provided to retirees by extending medical benefits to retirees at the same rate charged to active employees. Among the actuarial methods and assumptions used in the Report are: (i) the Entry Age Normal actuarial cost method, (ii) amortizing the unfunded accrued actuarial liability over 30 years as a level percentage of payroll, (iii) a 4.25% long-term expected rate of return on County funds, (iv) a 4.00% per annum payroll increase assumption, and (v) assumed increases in the monthly Plan Grant of 2.06% in 2006 and 5.00% for 2007 and beyond. The Report estimates the actuarial accrued liability (the liability or obligation for benefits earned or allocated to past service at the valuation date calculated using the selected actuarial methods and assumptions) at approximately \$1,418,692, which due to the current "pay-as-you-go" funding, is virtually all unfunded. The Report also determined that the Annual Required Contribution (ARC), the normal cost (value of benefits expected to be earned or allocated to the fiscal years) plus a 30-year level percentage of pay amortization of the unfunded liability for FY 2005-06 would be \$125,666.

**18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Actuarial Valuation (Unaudited) (Continued)

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

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

	Lump Sum	Retiree Medical Grant	Implied Subsidy	Total
Actuarial Accrued Liability	\$ 434	\$ 1,044,416	\$ 373,842	\$ 1,418,692
Plan Assets	--	--	--	--
Unfunded Actuarial Accrued Liability	\$ 434	\$ 1,044,416	\$ 373,842	\$ 1,418,692

If the County were to have implemented 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 have been as follows (Unaudited):

	Lump Sum	Retiree Medical Grant	Implied Subsidy	Total
Employer Normal Cost	\$ (1,430)	\$ 51,698	\$ 25,414	\$ 75,682
Unfunded Actuarial Accrued Liability Amortization	15	36,798	13,171	49,984
Annual Required Contribution	\$ (1,415)	\$ 88,496	\$ 38,585	\$ 125,666

**19. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2006:

Labor Agreements During the month of September, the Board of Supervisors approved labor agreements with the Orange County Employees Association (OCEA), the Service Employees International Union (SEIU), the Orange County Managers Association (OCMA) and the Orange County Attorneys Association (OCAA). The County also amended its Personnel and Salary Resolution with respect to certain unrepresented employees. On October 24, 2006, the County approved a labor agreement with International Union of Operating Engineers (IUOE). The agreements provide for a general salary increase of 4.75% (4.50% for OCMA) effective June 23, 2006, monies available for market adjustments for certain classifications of employees, additional pension cost payments by employees and a restructuring of the Retiree Medical Plan, discussed in Note 18. The increased salary costs are reflected in the financial statements. The restructured Retiree Medical Plan generally will:

- Pool current employees and retirees separately for medical insurance premiums, effective January 2008.
- Reduce the Grant by 50%, once the retiree becomes Medicare eligible. Retirees currently age 65 on September 12, 2006 or September 26, 2006, respectively, will receive no reduction. Current retirees age 64 or younger will receive a 50% reduction once Medicare eligible, but no sooner than 1 year.



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

### Labor Agreements (Continued)

- Reduce the Grant by 7.5% for each year prior to age 60 and increase it by 7.5% for each year of age after age 60 up to age 70, for current employees retiring after the Board of Supervisors approval of the restructured plan.
- Establish a Retiree Medical Plan Trust to administer the benefits, effective January 1, 2007.
- Phase out the lump sum benefit.
- Fund the entire cost of the Restructured Retiree Medical Plan, effective June 23, 2006.

The Restructured Medical Plan is expected to significantly reduce the estimated \$1,418,692 unaudited UAAL and lower the ARC. The extent of the UAAL and ARC reductions will depend on a number of factors, including but not limited to, the result of ongoing negotiations between the County and other bargaining units. In addition, effective September 30, 2005, employees represented by the American Federation of State, County and Municipal Employees ceased participation in the Medical Plan and agreed to separate current employees from retirees for health premium purposes, effective January 1, 2007.

Orange County Public Finance Authority Lease Revenue Bonds, Series 2006 On October 19, 2006, the Orange County Public Financing Authority (OCPFA) issued its Lease Revenue Bonds, Series 2006 in the principal amount of \$32,700, with an original issue premium of \$2,140. The Lease Revenue Bonds were issued to finance the construction of a cogeneration conversion project at the County's central utility facility, fund a debt service reserve fund for the bonds, and pay costs relating to the issuance of the bonds, including a premium for bond insurance.

The Lease Revenue Bonds are limited obligations of OCPFA payable solely from, and secured solely by, Revenues of the Authority, consisting primarily of certain rental payments (Base Rental Payments) to be made by the County pursuant to, and as defined in, the Lease. Pursuant to a Master Site Lease, dated as of October 1, 2006 (the Site Lease), between the County and the OCPFA, the County will lease to OCPFA certain real property of the County and all improvements thereon (collectively, the Leased Facilities). Pursuant to a Master Facilities Lease, dated as of October 1, 2006 (the Lease), by and between the County and OCPFA, the County will lease back the Leased Facilities from OCPFA.

Recovery Refinancing Tax Analysis Among the County covenants in connection with issuance of the Series 2005 Bonds and 2005 Recovery Bonds, the County must annually complete an analysis of the balances and expenditures associated with certain monies available (under applicable federal law) to the General Fund. To the extent excess balances exist, the County must invest such excess in non-Alternative Minimum Tax (AMT) tax exempt securities. For more information on the bonds, refer to Note 10, Long-Term Obligations. Such excess amounts, including interest, must remain invested until the subsequent year's calculation is completed and may only be expended if, and to the extent, the County's actual low point cash balance is less than that projected on the date of the initial calculation. In November 2006, the County invested the amount of \$21,000 in non-AMT tax-exempt securities.

# Supplemental Information



*Orange County- Ralph B. Clark Regional Park*



**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.

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

	Open		Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2005	Original Budget					Open Encumbrances June 30, 2006	Unspent/(Overspent) Appropriations
<b>Refunding Bonds &amp; Recovery Certificates of Participation and Debt Prepayment Revenues and Other Financing Sources</b>								
Use of Money and Property		\$ 1,841	\$ --	\$ 1,841	\$ 836	\$ (1,005)		
Intergovernmental Revenues		28,348	--	28,348	4,725	(23,623)		
Premiums on Bonds Issued		--	13,093	13,093	--	(13,093)		
Proceeds of Refunding Bonds		--	159,980	159,980	--	(159,980)		
Total Revenues and Other Financing Sources		<u>30,189</u>	<u>173,073</u>	<u>203,262</u>	<u>5,561</u>	<u>(197,701)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Debt Prepayment Fund	\$ --	116,181	(3)	116,178	116,612	(434)	\$ --	\$ (434)
Refunding Recovery Bonds	--	58,452	173,073	231,525	35,411	196,114	--	196,114
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>174,633</u>	<u>173,070</u>	<u>347,703</u>	<u>152,023</u>	<u>195,680</u>	<u>\$ --</u>	<u>\$ 195,680</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(144,444)	3	(144,441)	(146,462)	<u>\$ (2,021)</u>		
Fund Balances - Beginning of Year	--	146,969	--	146,969	146,462			
Provisions for Reserves and/or Designations	--	(2,525)	(3)	(2,528)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>			

**RECONCILIATION OF THE BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE**

**Explanation of Differences between Budgetary Revenues and Other Financing Sources and Expenditures/Encumbrances and Other Financing Uses and GAAP Revenues, Expenditures, and Other Financing Sources (Uses).**

**Revenues and Other Financing Sources**

Total Revenues and Other Financing Sources from the Budgetary Comparison Statements.	\$ 5,561
Differences-budget to GAAP:	
Revenue reported in the Statement of Revenues, Expenditures and Changes in Fund Balance for non-budgeted funds are excluded from the Budgetary Comparison Statements.	<u>11,545</u>
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 17,106</u>

**Expenditures/Encumbrances and Other Financing Uses**

Actual expenditures reported in the Budgetary Comparison Statements	\$ 152,023
Differences-budget to GAAP:	
Expenditures reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance for non-budgeted funds are excluded from the Budgetary Comparison Statements.	<u>128,480</u>
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$ 280,503</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 revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

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.

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.

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 to the County from newly incorporated cities to compensate the County for its on-going regional costs in providing services to the new cities, to account for fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements, and 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.

**DEBT SERVICE FUNDS**

These funds are used to account for the accumulation and disbursement of taxes and other revenues for the periodic payment of principal and interest on general long-term debt that includes general obligation, revenue, and demand bond issues.

Redevelopment Agency Bonds

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

Public Facilities Corporation Bonds, Master Lease

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

Pension Obligation Bonds

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

Orange County Public Financing Authority

This fund was established to account for the debt service expenditures for the Orange County Public Financing Authority (OCPFA). On August 16, 2005, OCPFA issued Lease Revenue Refunding Bonds Series 2005 to defease certain non-callable Recovery COPs, refund the remaining COPs, fund a debt service reserve fund, and pay a costs of issuance of the Series 2005 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.

**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  
 June 30, 2006

**COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS**

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
<b>ASSETS</b>					
Pooled Cash/Investments	\$ 457,170	\$ 3,207	\$ 14,146	\$ 2,201	\$ 780
Imprest Cash Funds	8	--	--	--	--
Restricted Cash and Investments with Trustee	450,489	--	--	--	--
Investments	5,703	--	--	--	--
Receivables					
Accounts	581	14	--	--	1
Taxes	16,487	--	--	17	--
Interest/Dividends	2,267	17	47	7	3
Deposits	--	--	--	--	--
Allowance for Uncollectible Receivables	(3)	(2)	--	--	--
Due from Other Funds	16,016	104	2,914	--	--
Due from Other Governmental Agencies	7,740	157	--	--	36
Prepaid Costs	791	--	--	--	--
Land and Improvements Held for Resale	1,255	--	--	--	--
Notes Receivable	23,526	--	9,851	--	1,856
Total Assets	<u>\$ 982,030</u>	<u>\$ 3,497</u>	<u>\$ 26,958</u>	<u>\$ 2,225</u>	<u>\$ 2,676</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 3,869	\$ 123	\$ --	\$ 100	\$ 9
Salaries and Employee Benefits Payable	1,003	5	--	--	--
Deposits from Others	698	--	--	--	--
Due to Other Funds	22,451	80	24	19	31
Due to Component Unit	40	--	--	--	--
Due to Other Governmental Agencies	14,276	371	--	--	--
Deferred Revenue	7,446	--	--	4	1,889
Unearned Revenue	22,609	--	--	1	--
Total Liabilities	<u>72,392</u>	<u>579</u>	<u>24</u>	<u>124</u>	<u>1,929</u>
Fund Balances					
Reserved					
Encumbrances	12,236	56	116	58	43
Long Term Receivable	32,624	--	9,850	--	--
Imprest Cash Funds	8	--	--	--	--
Prepaid Costs	791	--	--	--	--
Land and Improvements Held for Resale	1,255	--	--	--	--
Debt Service	446,031	--	--	--	--
Unreserved, Designated for, Reported in:					
Operations	25,424	--	--	--	--
Contingencies	18,696	--	--	--	--
Administration Fees	8,933	--	--	--	--
Equipment Purchase	1,609	--	--	--	--
Revitalization Projects	3,294	--	--	--	--
General Reserve	17,075	--	16,968	11	--
Unreserved, Undesignated Reported in:					
Special Revenue Funds	95,999	2,862	--	2,032	704
Debt Service Funds	5,323	--	--	--	--
Capital Projects Funds	240,326	--	--	--	--
Permanent Fund	14	--	--	--	--
Total Fund Balances	<u>909,638</u>	<u>2,918</u>	<u>26,934</u>	<u>2,101</u>	<u>747</u>
Total Liabilities and Fund Balances	<u>\$ 982,030</u>	<u>\$ 3,497</u>	<u>\$ 26,958</u>	<u>\$ 2,225</u>	<u>\$ 2,676</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Community, Health & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County - Administered Accounts	
				<b>ASSETS</b>
\$ 101,029	\$ 26,568	\$ 3,300	\$ 5,200	Pooled Cash/Investments
8	--	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	--	Investments
9	--	--	--	Receivables
--	--	--	--	Accounts
79	--	11	17	Taxes
--	--	--	--	Interest/Dividends
--	--	--	--	Deposits
914	--	--	--	Allowance for Uncollectible Receivables
6,571	--	--	--	Due from Other Funds
--	--	--	--	Due from Other Governmental Agencies
145	--	--	--	Prepaid Costs
2,352	--	--	--	Land and Improvements Held for Resale
<u>\$ 111,107</u>	<u>\$ 26,568</u>	<u>\$ 3,311</u>	<u>\$ 5,217</u>	Notes Receivable
				Total Assets
				<b>LIABILITIES AND FUND BALANCES</b>
				Liabilities
\$ 1,153	\$ --	\$ --	\$ --	Accounts Payable
206	--	--	--	Salaries and Employee Benefits Payable
2	--	--	--	Deposits from Others
16,392	1,026	--	--	Due to Other Funds
40	--	--	--	Due to Component Unit
2,348	--	--	--	Due to Other Governmental Agencies
456	--	--	--	Deferred Revenue
22,490	--	--	--	Unearned Revenue
<u>43,087</u>	<u>1,026</u>	<u>--</u>	<u>--</u>	Total Liabilities
				Fund Balances
				Reserved
4,904	--	--	--	Encumbrances
2,352	--	--	--	Long Term Receivable
8	--	--	--	Imprest Cash Funds
--	--	--	--	Prepaid Costs
145	--	--	--	Land and Improvements Held for Resale
--	--	--	--	Debt Service
19,536	--	--	--	Unreserved, Designated for, Reported in:
--	--	--	--	Operations
--	--	--	1,175	Contingencies
--	--	--	--	Administration Fees
--	--	--	--	Equipment Purchase
--	--	--	--	Revitalization Projects
--	--	--	--	General Reserve
41,075	25,542	3,311	4,042	Unreserved, Undesignated Reported in:
--	--	--	--	Special Revenue Funds
--	--	--	--	Debt Service Funds
--	--	--	--	Capital Projects Funds
--	--	--	--	Permanent Fund
<u>68,020</u>	<u>25,542</u>	<u>3,311</u>	<u>5,217</u>	Total Fund Balances
				Total Liabilities
<u>\$ 111,107</u>	<u>\$ 26,568</u>	<u>\$ 3,311</u>	<u>\$ 5,217</u>	and Fund Balances

**COMBINING BALANCE SHEET (Continued)**  
**NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue		
	Plan of Adjustment Available Cash	Orange County Housing Authority	Other Governmental Resources
<b><u>ASSETS</u></b>			
Pooled Cash/Investments	\$ 72	\$ 12,557	\$ 29,945
Imprest Cash Funds	--	--	--
Restricted Cash and Investments with Trustee	--	7,779	--
Investments	--	--	--
Receivables			
Accounts	--	556	--
Taxes	--	--	--
Interest/Dividends	1	45	97
Deposits	--	--	--
Allowance for Uncollectible Receivables	--	--	--
Due from Other Funds	6,736	--	--
Due from Other Governmental Agencies	--	--	--
Prepaid Costs	--	--	--
Land and Improvements Held for Resale	--	--	--
Notes Receivable	--	8,145	--
Total Assets	<u>\$ 6,809</u>	<u>\$ 29,082</u>	<u>\$ 30,042</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities			
Accounts Payable	\$ --	\$ 1,365	\$ 15
Salaries and Employee Benefits Payable	--	746	46
Deposits from Others	--	515	--
Due to Other Funds	--	9	3
Due to Component Unit	--	--	--
Due to Other Governmental Agencies	--	6,574	--
Deferred Revenue	--	224	--
Unearned Revenue	--	--	--
Total Liabilities	<u>--</u>	<u>9,433</u>	<u>64</u>
Fund Balances			
Reserved			
Encumbrances	--	39	20
Long Term Receivable	--	8,145	--
Imprest Cash Funds	--	--	--
Prepaid Costs	--	--	--
Land and Improvements Held for Resale	--	--	--
Debt Service	--	--	--
Unreserved, Designated for, Reported in:			
Operations	--	--	5,888
Contingencies	--	--	16,546
Administration Fees	--	7,758	--
Equipment Purchase	--	--	1,609
Revitalization Projects	--	--	--
General Reserve	--	--	--
Unreserved, Undesignated Reported in:			
Special Revenue Funds	6,809	3,707	5,915
Debt Service Funds	--	--	--
Capital Projects Funds	--	--	--
Permanent Fund	--	--	--
Total Fund Balances	<u>6,809</u>	<u>19,649</u>	<u>29,978</u>
Total Liabilities and Fund Balances	<u>\$ 6,809</u>	<u>\$ 29,082</u>	<u>\$ 30,042</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					
\$ 33,076	\$ --	\$ 347	\$ 1,190	\$ --					
--	--	--	--	--					
3,003	3,295	202,149	126,891	89,321					
--	--	--	--	--					
--	--	--	--	--					
752	--	--	15,718	--					
194	--	1	1,017	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	791	--					
--	--	--	--	--					
--	--	--	--	--					
<u>\$ 37,025</u>	<u>\$ 3,295</u>	<u>\$ 202,497</u>	<u>\$ 145,607</u>	<u>\$ 89,321</u>					
					<b>ASSETS</b>				
					Pooled Cash/Investments				
					Imprest Cash Funds				
					Restricted Cash and Investments with Trustee				
					Investments				
					Receivables				
					Accounts				
					Taxes				
					Interest/Dividends				
					Deposits				
					Allowance for Uncollectible Receivables				
					Due from Other Funds				
					Due from Other Governmental Agencies				
					Prepaid Costs				
					Land and Improvements Held for Resale				
					Notes Receivable				
					Total Assets				
					<b>LIABILITIES AND FUND BALANCES</b>				
					Liabilities				
\$ --	\$ --	\$ --	\$ 49	\$ --					
--	--	--	--	--					
--	--	--	--	--					
4,631	--	2	--	--					
--	--	--	--	--					
4,983	--	--	--	--					
98	--	--	4,764	--					
118	--	--	--	--					
<u>9,830</u>	<u>--</u>	<u>2</u>	<u>4,813</u>	<u>--</u>					
					Fund Balances				
					Reserved				
--	--	--	--	--					
--	--	--	10,955	--					
--	--	--	--	--					
--	--	--	791	--					
--	--	--	--	--					
27,195	3,295	202,495	123,725	89,321					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	--	--					
--	--	--	5,323	--					
--	--	--	--	--					
--	--	--	--	--					
<u>27,195</u>	<u>3,295</u>	<u>202,495</u>	<u>140,794</u>	<u>89,321</u>					
					Total Fund Balances				
					Total Liabilities and Fund Balances				
<u>\$ 37,025</u>	<u>\$ 3,295</u>	<u>\$ 202,497</u>	<u>\$ 145,607</u>	<u>\$ 89,321</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
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 43,580	\$ 35,807	\$ 143,900	\$ 265
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	18,051	--
Investments	--	--	5,703	--
Receivables				
Accounts	--	1	--	--
Taxes	--	--	--	--
Interest/Dividends	97	119	514	1
Deposits	--	--	--	--
Allowance for Uncollectible Receivables	--	(1)	--	--
Due from Other Funds	1,387	3,961	--	--
Due from Other Governmental Agencies	976	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	1,110	--	--
Notes Receivable	--	1,322	--	--
Total Assets	<u>\$ 46,040</u>	<u>\$ 42,319</u>	<u>\$ 168,168</u>	<u>\$ 266</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 1,054	\$ 1	\$ --	\$ --
Salaries and Employee Benefits Payable	--	--	--	--
Deposits from Others	--	25	--	156
Due to Other Funds	14	196	24	--
Due to Component Unit	--	--	--	--
Due to Other Governmental Agencies	--	--	--	--
Deferred Revenue	11	--	--	--
Unearned Revenue	--	--	--	--
Total Liabilities	<u>1,079</u>	<u>222</u>	<u>24</u>	<u>156</u>
Fund Balances				
Reserved				
Encumbrances	3,988	3,012	--	--
Long Term Receivable	--	1,322	--	--
Imprest Cash Funds	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	1,110	--	--
Debt Service	--	--	--	--
Unreserved, Designated for, Reported in:				
Operations	--	--	--	--
Contingencies	--	--	2,150	--
Administration Fees	--	--	--	--
Equipment Purchase	--	--	--	--
Revitalization Projects	--	3,294	--	--
General Reserve	--	--	--	96
Unreserved, Undesignated Reported in:				
Special Revenue Funds	--	--	--	--
Debt Service Funds	--	--	--	--
Capital Projects Funds	40,973	33,359	165,994	--
Permanent Fund	--	--	--	14
Total Fund Balances	<u>44,961</u>	<u>42,097</u>	<u>168,144</u>	<u>110</u>
Total Liabilities and Fund Balances	<u>\$ 46,040</u>	<u>\$ 42,319</u>	<u>\$ 168,168</u>	<u>\$ 266</u>



County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

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

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
<b>Revenues</b>					
Taxes	\$ 26,768	\$ --	\$ --	\$ 416	\$ --
Licenses, Permits, and Franchises	828	37	--	--	--
Fines, Forfeitures and Penalties	21,745	--	--	--	5
Use of Money and Property	26,110	7,014	509	75	298
Intergovernmental	152,071	1,464	--	4	142
Charges for Services	8,691	317	--	22	66
Contributions from Property Owners	18,094	--	--	--	--
Other	3,827	19	46	1	134
<b>Total Revenues</b>	<b>258,134</b>	<b>8,851</b>	<b>555</b>	<b>518</b>	<b>645</b>
<b>Expenditures</b>					
Current					
General Government	134,865	--	--	--	229
Public Protection	24	--	--	--	22
Public Ways and Facilities	5,744	5,744	--	--	--
Health and Sanitation	51	--	--	--	--
Public Assistance	23,605	--	225	--	--
Education	9,104	--	--	--	--
Recreation and Cultural Services	181	--	--	181	--
Capital Outlay	32,442	--	--	185	--
Debt Service					
Principal Retirement	20,441	--	--	--	--
Interest	24,101	--	--	--	--
Debt Issuance Costs	2,783	--	--	--	--
<b>Total Expenditures</b>	<b>253,341</b>	<b>5,744</b>	<b>225</b>	<b>366</b>	<b>251</b>
Excess (Deficit) of Revenues Over Expenditures	4,793	3,107	330	152	394
<b>Other Financing Sources (Uses)</b>					
Transfers In	117,946	2,200	4,462	--	--
Transfers Out	(37,143)	(4,022)	(1,548)	--	(226)
Premiums on Bonds Issued	19,973	--	--	--	--
Refunding Bonds Issued	419,756	--	--	--	--
Payment to Refunded Bond Escrow Agent	(414,171)	--	--	--	--
<b>Net Change in Fund Balances</b>	<b>111,154</b>	<b>1,285</b>	<b>3,244</b>	<b>152</b>	<b>168</b>
Fund Balances - Beginning of Year	798,484	1,633	23,690	1,949	579
Fund Balances - End of Year	<u>\$ 909,638</u>	<u>\$ 2,918</u>	<u>\$ 26,934</u>	<u>\$ 2,101</u>	<u>\$ 747</u>



Supplemental Information  
(Dollar Amounts in Thousands)

Community, Health & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County- Administered Accounts	
\$ --	\$ --	\$ --	\$ --	Revenues
791	--	--	--	Taxes
6,086	--	--	--	Licenses, Permits, and Franchises
2,616	812	119	187	Fines, Forfeitures and Penalties
47,724	--	--	--	Use of Money and Property
8,286	--	--	--	Intergovernmental
--	--	--	--	Charges for Services
2,047	--	--	--	Contributions from Property Owners
67,550	812	119	187	Other
				Total Revenues
				Expenditures
				Current
--	18	3	4	General Government
2	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
51	--	--	--	Health and Sanitation
22,225	--	--	--	Public Assistance
9,104	--	--	--	Education
--	--	--	--	Recreation and Cultural Services
--	--	--	--	Capital Outlay
				Debt Service
114	--	--	--	Principal Retirement
57	--	--	--	Interest
--	--	--	--	Debt Issuance Costs
31,553	18	3	4	Total Expenditures
				Excess (Deficit) of Revenues
35,997	794	116	183	Over Expenditures
				Other Financing Sources (Uses)
5,950	5,548	--	--	Transfers In
(12,070)	(1,838)	--	--	Transfers Out
--	--	--	--	Premiums on Bonds Issued
--	--	--	--	Refunding Bonds Issued
--	--	--	--	Payment to Refunded Bond Escrow Agent
				Net Change in Fund Balances
29,877	4,504	116	183	
38,143	21,038	3,195	5,034	Fund Balances - Beginning of Year
\$ 68,020	\$ 25,542	\$ 3,311	\$ 5,217	Fund Balances - End of Year

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

	Special Revenue		
	Plan of Adjustment Available Cash	Orange County Housing Authority	Other Governmental Resources
<b>Revenues</b>			
Taxes	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--
Fines, Forfeitures and Penalties	--	--	--
Use of Money and Property	54	748	1,060
Intergovernmental	--	99,039	3,368
Charges for Services	--	--	--
Contributions from Property Owners	--	--	--
Other	--	760	12
Total Revenues	<u>54</u>	<u>100,547</u>	<u>4,440</u>
<b>Expenditures</b>			
<b>Current</b>			
General Government	9,262	100,174	3,323
Public Protection	--	--	--
Public Ways and Facilities	--	--	--
Health and Sanitation	--	--	--
Public Assistance	--	1,155	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	--	--	17
<b>Debt Service</b>			
Principal Retirement	--	--	--
Interest	--	--	--
Debt Issuance Costs	--	--	--
Total Expenditures	<u>9,262</u>	<u>101,329</u>	<u>3,340</u>
Excess (Deficit) of Revenues Over Expenditures	(9,208)	(782)	1,100
<b>Other Financing Sources (Uses)</b>			
Transfers In	7,588	--	--
Transfers Out	--	(586)	(238)
Premiums on Bonds Issued	--	--	--
Refunding Bonds Issued	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--
Net Change in Fund Balances	(1,620)	(1,368)	862
Fund Balances - Beginning of Year	8,429	21,017	29,116
Fund Balances - End of Year	<u>\$ 6,809</u>	<u>\$ 19,649</u>	<u>\$ 29,978</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	
\$ 26,352	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
16	--	--	6,870	--	Licenses, Permits, and Franchises
1,198	(167)	(6,488)	5,008	4,086	Fines, Forfeitures and Penalties
302	--	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental
--	--	--	--	--	Charges for Services
57	--	--	--	--	Contributions from Property Owners
<u>27,925</u>	<u>(167)</u>	<u>(6,488)</u>	<u>11,878</u>	<u>4,086</u>	Other
					Total Revenues
12,340	--	42	9,470	--	Expenditures
--	--	--	--	--	Current
--	--	--	--	--	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	--	--	--	--	Public Assistance
--	--	--	--	--	Education
--	--	--	--	--	Recreation and Cultural Services
--	--	--	--	--	Capital Outlay
1,939	992	12,056	--	5,340	Debt Service
3,224	1,615	5,269	3,514	10,422	Principal Retirement
--	--	--	--	2,783	Interest
<u>17,503</u>	<u>2,607</u>	<u>17,367</u>	<u>12,984</u>	<u>18,545</u>	Debt Issuance Costs
10,422	(2,774)	(23,855)	(1,106)	(14,459)	Total Expenditures
					Excess (Deficit) of Revenues Over Expenditures
1,548	2,401	3,418	--	69,393	Other Financing Sources (Uses)
(5,912)	--	(5,341)	--	--	Transfers In
--	--	--	--	19,973	Transfers Out
--	--	--	--	419,756	Premiums on Bonds Issued
--	--	--	--	(414,171)	Refunding Bonds Issued
					Payment to Refunded Bond Escrow Agent
6,058	(373)	(25,778)	(1,106)	80,492	Net Change in Fund Balances
21,137	3,668	228,273	141,900	8,829	Fund Balances - Beginning of Year
<u>\$ 27,195</u>	<u>\$ 3,295</u>	<u>\$ 202,495</u>	<u>\$ 140,794</u>	<u>\$ 89,321</u>	Fund Balances - End of Year

**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
<b>Revenues</b>				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	8,768	--	--	--
Use of Money and Property	1,648	1,394	5,928	11
Intergovernmental	28	--	--	--
Charges for Services	--	--	--	--
Contributions from Property Owners	--	--	18,094	--
Other	33	332	384	2
Total Revenues	<u>10,477</u>	<u>1,726</u>	<u>24,406</u>	<u>13</u>
<b>Expenditures</b>				
<b>Current</b>				
General Government	--	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	6,394	1,269	24,577	--
<b>Debt Service</b>				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Debt Issuance Costs	--	--	--	--
Total Expenditures	<u>6,394</u>	<u>1,269</u>	<u>24,577</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	4,083	457	(171)	13
<b>Other Financing Sources (Uses)</b>				
Transfers In	13,988	1,450	--	--
Transfers Out	(4,833)	--	(529)	--
Premiums on Bonds Issued	--	--	--	--
Refunding Bonds Issued	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--
Net Change in Fund Balances	13,238	1,907	(700)	13
Fund Balances - Beginning of Year	31,723	40,190	168,844	97
Fund Balances - End of Year	<u>\$ 44,961</u>	<u>\$ 42,097</u>	<u>\$ 168,144</u>	<u>\$ 110</u>



County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE**

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Parking Facilities</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 2,540	\$ --	\$ 2,540	\$ 2,619	\$ 79		
Charges for Services		263	--	263	317	54		
Other Revenues		11	--	11	19	8		
Transfers In		2,200	--	2,200	2,200	--		
Total Revenues and Other Financing Sources		<u>5,014</u>	<u>--</u>	<u>5,014</u>	<u>5,155</u>	<u>141</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Ways and Facilities:								
Orange County Civic Center								
Parking and Maintenance	\$ 29	5,419	129	5,577	3,502	2,075	\$ 56	\$ 2,019
Total Expenditures/Encumbrances and Other Financing Uses	<u>29</u>	<u>5,419</u>	<u>129</u>	<u>5,577</u>	<u>3,502</u>	<u>2,075</u>	<u>\$ 56</u>	<u>\$ 2,019</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(29)	(405)	(129)	(563)	1,653	<u>\$ 2,216</u>		
Fund Balances - Beginning of Year	--	405	--	405	564			
Cancellation of Reserves/Designations	--	--	--	--	645			
Fund Balance Reserved for Encumbrances	29	--	--	29	56			
Provisions for Reserves and/or Designations	--	--	129	129	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,918</u>			
<b>Redevelopment Agency</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 300	\$ --	\$ 300	\$ 509	\$ 209		
Other Revenues		--	--	--	46	46		
Transfers In		4,740	--	4,740	4,462	(278)		
Total Revenues and Other Financing Sources		<u>5,040</u>	<u>--</u>	<u>5,040</u>	<u>5,017</u>	<u>(23)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Assistance:								
Orange County Development Agency								
Low and Moderate Income Housing (Santa Ana Heights)	\$ 67	11,531	2,425	14,023	1,773	12,250	\$ 116	\$ 12,134
Total Expenditures/Encumbrances and Other Financing Uses	<u>67</u>	<u>11,531</u>	<u>2,425</u>	<u>14,023</u>	<u>1,773</u>	<u>12,250</u>	<u>\$ 116</u>	<u>\$ 12,134</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(67)	(6,491)	(2,425)	(8,983)	3,244	<u>\$ 12,227</u>		
Fund Balances - Beginning of Year	--	11,751	--	11,751	23,690			
Cancellation of Reserves/Designations	--	--	--	--	(9,966)			
Fund Balance Reserved for Encumbrances	67	--	--	67	116			
Provisions for Reserves and/or Designations	--	(5,260)	2,425	(2,835)	9,850			
Fund Balance - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 26,934</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2005						Budget	Adjustments
<b>Service Area, Lighting and Maintenance Districts Revenues</b>								
Taxes		\$ 279	\$ --	\$ 279	\$ 416	\$ 137		
Use of Money and Property		24	--	24	75	51		
Intergovernmental Revenues		4	--	4	4	--		
Charges for Services		22	--	22	22	--		
Other Revenues		1	--	1	1	--		
Total Revenues		<u>330</u>	<u>--</u>	<u>330</u>	<u>518</u>	<u>188</u>		
<b>Expenditures/Encumbrances</b>								
Recreation and Cultural Services:								
North Tustin Landscaping and Lighting Assessment District	\$ 15	1,940	146	2,101	326	1,775	\$ 56	\$ 1,719
County Service Area No. 13 - La Mirada	--	5	1	6	4	2	--	2
County Service Area No. 20 - La Habra	--	103	2	105	--	105	--	105
County Service Area No. 22 - East Yorba Linda	4	54	(4)	54	36	18	2	16
Total Expenditures/Encumbrances	<u>19</u>	<u>2,102</u>	<u>145</u>	<u>2,266</u>	<u>366</u>	<u>1,900</u>	<u>\$ 58</u>	<u>\$ 1,842</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	(19)	(1,772)	(145)	(1,936)	152	<u>\$ 2,088</u>		
Fund Balances - Beginning of Year	--	1,686	--	1,686	1,949			
Cancellation of Reserves/Designations	--	86	--	86	(69)			
Fund Balance Reserved for Encumbrances	19	--	--	19	58			
Provisions for Reserves and/or Designations	--	--	145	145	11			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,101</u>			

County of Orange  
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 For the Year Ended June 30, 2006

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

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Other Environmental Management Revenues</b>								
Fines, Forfeitures and Penalties		\$ 10	\$ --	\$ 10	\$ 5	\$ (5)		
Use of Money and Property		294	--	294	298	4		
Intergovernmental Revenues		214	--	214	142	(72)		
Charges for Services		80	--	80	66	(14)		
Other Revenues		651	--	651	134	(517)		
Total Revenues		<u>1,249</u>	<u>--</u>	<u>1,249</u>	<u>645</u>	<u>(604)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Real Estate Development Program	\$ 62	926	23	1,011	362	649	\$ 43	\$ 606
Air Quality Improvement	25	375	191	591	93	498	--	498
Public Protection:								
Fish and Game Propagation	--	13	--	13	--	13	--	13
Survey Monument Preservation	--	88	51	139	22	117	--	117
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	108	(3)	105	--	105	--	105
Total Expenditures/Encumbrances and Other Financing Uses	<u>87</u>	<u>1,510</u>	<u>262</u>	<u>1,859</u>	<u>477</u>	<u>1,382</u>	<u>\$ 43</u>	<u>\$ 1,339</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses								
	(87)	(261)	(262)	(610)	168	<u>\$ 778</u>		
Fund Balances - Beginning of Year	--	261	--	261	579			
Cancellation of Reserves/Designations	--	--	--	--	(43)			
Fund Balance Reserved for Encumbrances	87	--	--	87	43			
Provisions for Reserves and/or Designations	--	--	262	262	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 747</u>			



Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Community, Health and Welfare Services</b>								
<b>Revenues and Other Financing Sources</b>								
Licenses, Permits, and Franchises		\$ --	\$ --	\$ --	\$ 791	\$ 791		
Fines, Forfeitures and Penalties		6,731	(433)	6,298	6,086	(212)		
Use of Money and Property		252	12	264	2,616	2,352		
Intergovernmental Revenues		58,969	2,150	61,119	47,724	(13,395)		
Charges for Services		3,657	200	3,857	8,286	4,429		
Other Revenues		1,371	7	1,378	2,047	669		
Transfers In		257	6,554	6,811	5,950	(861)		
Total Revenues and Other Financing Sources		<u>71,237</u>	<u>8,490</u>	<u>79,727</u>	<u>73,500</u>	<u>(6,227)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Assistance:								
Dispute Resolution Program	\$ --	816	28	844	690	154	\$ --	\$ 154
Domestic Violence Program	--	817	52	869	761	108	4	104
Community Social Programs	--	13	5	18	18	--	--	--
Facilities Development and Maintenance	23	6,775	2,105	8,903	3,347	5,556	10	5,546
Workforce Investment Act	1,626	15,281	(262)	16,645	9,459	7,186	2,446	4,740
County Executive Office - Single Family Housing	--	1,919	12	1,931	1,281	650	--	650
Housing and Community Development	1,696	39,272	205	41,173	8,859	32,314	2,441	29,873
Strategic Priority Affordable Housing	--	3,999	(1,392)	2,607	180	2,427	--	2,427
In-Home Support Services								
Public Authority	6	755	40	801	771	30	3	27
Health and Sanitation:								
Medi-Cal Administrative Activities								
Targeted Case Management	--	6,811	(1,585)	5,226	23	5,203	--	5,203
Emergency Medical Services	--	7,409	(1,099)	6,310	6,149	161	--	161
HCA Purpose Restricted Revenues	--	1,984	816	2,800	441	2,359	--	2,359
HCA Interest Bearing Purpose Restricted Revenue	--	100	--	100	14	86	--	86
HCA Realignment	--	5,000	--	5,000	444	4,556	--	4,556
HGI Bio Tech Grant	--	--	1,000	1,000	55	945	--	945
SSA Donations and Fees	--	--	4,246	4,246	358	3,888	--	3,888
SSA Wraparound	--	--	13,891	13,891	9,637	4,254	--	4,254
Mental Health Services Act	--	--	11,245	11,245	1,015	10,230	--	10,230
CalHome Program Reuse Fund	--	--	1,000	1,000	111	889	--	889
Assessor Property Characteristic	--	--	50	50	9	41	--	41
OCHA Admin Fee Reserves 2004	--	--	150	150	--	150	--	150
SARC Lease Conveance Agreement	--	--	2,016	2,016	1	2,015	--	2,015
Total Expenditures/Encumbrances and Other Financing Uses		<u>90,951</u>	<u>32,523</u>	<u>126,825</u>	<u>43,623</u>	<u>83,202</u>	<u>\$ 4,904</u>	<u>\$ 78,298</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses		(3,351)	(19,714)	(24,033)	(47,098)	29,877	<u>\$ 76,975</u>	
Fund Balances - Beginning of Year	--	14,714	--	14,714	38,143			
Cancellation of Reserves/Designations	--	5,000	--	5,000	(28,279)			
Fund Balance Reserved for Encumbrances	3,351	--	--	3,351	4,904			
Provisions for Reserves and/or Designations	--	--	24,033	24,033	23,375			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 68,020</u>			

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

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Designated Special Revenue</b>								
<b>Revenues and Other Financing Sources</b>								
Use of Money and Property		\$ --	\$ --	\$ --	\$ 812	\$ 812		
Transfers In		5,994	61	6,055	5,548	(507)		
Total Revenues and Other Financing Sources		5,994	61	6,055	6,360	305		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Designated Special Revenue								
Total Expenditures/Encumbrances and Other Financing Uses	\$ --	27,114	(131)	26,983	1,856	25,127	\$ --	\$ 25,127
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(21,120)	192	(20,928)	4,504	\$ 25,432		
Fund Balances - Beginning of Year	--	21,120	--	21,120	21,038			
Provisions for Reserves and/or Designations	--	--	(192)	(192)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 25,542			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2005						Budget	Adjustments
<b>Recovery Certificates of Participation</b>								
<b>Revenues and Other Financing Sources</b>								
Use of Money and Property		\$ 40	\$ --	\$ 40	\$ 119	\$ 79		
Other Revenues		--	500	500	--	(500)		
Transfers In		--	61,931	61,931	--	(61,931)		
Contributions from Property Owners		--	33,464	33,464	--	(33,464)		
Proceeds of Refunding Bonds		--	430,810	430,810	--	(430,810)		
Total Revenues and Other Financing Sources		<u>40</u>	<u>526,705</u>	<u>526,745</u>	<u>119</u>	<u>(526,626)</u>		
<b>Expenditures/Encumbrances</b>								
General Government:								
1996 Recovery Certificates of Participation, Series A								
	\$ --	3,194	526,746	529,940	3	529,937	\$ --	\$ 529,937
Total Expenditures/Encumbrances	<u>--</u>	<u>3,194</u>	<u>526,746</u>	<u>529,940</u>	<u>3</u>	<u>529,937</u>	<u>\$ --</u>	<u>\$ 529,937</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances	--	(3,154)	(41)	(3,195)	116	\$ 3,311		
Fund Balances - Beginning of Year	--	3,154	--	3,154	3,195			
Provisions for Reserves and/or Designations	--	--	41	41	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,311</u>			
<b>Schedule 1 County-Administered Accounts</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 70	\$ --	\$ 70	\$ 187	\$ 117		
Total Revenues		<u>70</u>	<u>--</u>	<u>70</u>	<u>187</u>	<u>117</u>		
<b>Expenditures/Encumbrances</b>								
General Government:								
Litigation Reserve - Escrow								
AG FTCI	\$ --	189	1	190	--	190	\$ --	\$ 190
Indemnification Reserve	--	2	2	4	1	3	--	3
Litigation Reserve	--	3,685	49	3,734	3	3,731	--	3,731
Total Expenditures/Encumbrances	<u>--</u>	<u>3,876</u>	<u>52</u>	<u>3,928</u>	<u>4</u>	<u>3,924</u>	<u>\$ --</u>	<u>\$ 3,924</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	(3,806)	(52)	(3,858)	183	\$ 4,041		
Fund Balances - Beginning of Year	--	3,832	--	3,832	5,034			
Cancellation of Reserves/Designations	--	--	--	--	(1,175)			
Provisions for Reserves and/or Designations	--	(26)	52	26	1,175			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,217</u>			

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

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Plan of Adjustment</b>								
<b>Available Cash</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 14	\$ --	\$ 14	\$ 54	\$ 40		
Transfers In		<u>7,638</u>	<u>684</u>	<u>8,322</u>	<u>7,588</u>	<u>(734)</u>		
Total Revenues and Other								
Financing Sources		<u>7,652</u>	<u>684</u>	<u>8,336</u>	<u>7,642</u>	<u>(694)</u>		
<b>Expenditures/Encumbrances</b>								
General Government:								
Option B Pool Participants'								
Registered Warrants	\$ --	867	1	868	852	16	\$ --	\$ 16
Class B-27 Registered								
Warrants	--	52	--	52	--	52	--	52
Recovery Plan of Adjustment								
Available Cash	--	10,258	5,587	15,845	8,410	7,435	--	7,435
Total Expenditures/Encumbrances	--	<u>11,177</u>	<u>5,588</u>	<u>16,765</u>	<u>9,262</u>	<u>7,503</u>	<u>\$ --</u>	<u>\$ 7,503</u>
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	--	(3,525)	(4,904)	(8,429)	(1,620)	<u>\$ 6,809</u>		
Fund Balances - Beginning of Year	--	3,525	--	3,525	8,429			
Cancellation of Reserves/Designations	--	--	--	--	--			
Provisions for Reserves and/or Designations	--	--	4,904	4,904	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,809</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Orange County</b>								
<b>Housing Authority</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 377	\$ --	\$ 377	\$ 727	\$ 350		
Other Revenues		--	--	--	47	47		
Total Revenues		<u>377</u>	<u>--</u>	<u>377</u>	<u>774</u>	<u>397</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 5	5,761	(1)	5,765	1,741	4,024	\$ 39	\$ 3,985
Total Expenditures/Encumbrances and Other Financing Uses	5	5,761	(1)	5,765	1,741	4,024	<u>\$ 39</u>	<u>\$ 3,985</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses								
	(5)	(5,384)	1	(5,388)	(967)	<u>\$ 4,421</u>		
Fund Balances - Beginning of Year	--	5,384	--	5,384	21,017			
Cancellation Reserves/Designations	--	--	--	--	(16,343)			
Fund Balance Reserved for Encumbrances	5	--	--	5	39			
Provisions for Reserves and/or Designations	--	--	(1)	(1)	15,903			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,649</u>			
<b>Other Governmental Resources</b>								
<b>Revenues and Other Financing Sources</b>								
Use of Money and Property		\$ 534	\$ --	\$ 534	\$ 1,060	\$ 526		
Intergovernmental Revenues		10,043	(7,726)	2,317	3,368	1,051		
Charges for Services		--	536	536	--	(536)		
Other Revenues		6	--	6	12	6		
Transfers In		200	(195)	5	--	(5)		
Total Revenues and Other Financing Sources		<u>10,783</u>	<u>(7,385)</u>	<u>3,398</u>	<u>4,440</u>	<u>1,042</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Remittance Processing								
Equipment Replacement	\$ 3	197	(191)	9	2	7	\$ --	\$ 7
Property Tax Administration								
State Grant	20	5,442	--	5,462	3,136	2,326	20	2,306
Deferred Compensation								
Reimbursement - CEO	60	2,072	2	2,134	188	1,946	--	1,946
Revenue Neutrality Trust	--	332	--	332	252	80	--	80
Total Expenditures/Encumbrances and Other Financing Uses	83	8,043	(189)	7,937	3,578	4,359	<u>\$ 20</u>	<u>\$ 4,339</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	(83)	2,740	(7,196)	(4,539)	862	<u>\$ 5,401</u>		
Fund Balances - Beginning of Year	--	17,154	--	17,154	29,116			
Cancellation of Reserves/Designations	--	--	--	--	(24,063)			
Fund Balance Reserved for Encumbrances	83	--	--	83	20			
Provisions for Reserves and/or Designations	--	(19,894)	7,196	(12,698)	24,043			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 29,978</u>			

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

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2005						Budget	Adjustments
<b>Redevelopment Agency Bonds</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Taxes		\$ 22,193	\$ --	\$ 22,193	\$ 26,352	\$ 4,159		
Fines, Forfeitures and Penalties		19	--	19	16	(3)		
Use of Money and Property		501	--	501	1,198	697		
Intergovernmental Revenues		287	--	287	302	15		
Other Revenues		30	--	30	57	27		
Transfers In		1,548	--	1,548	1,548	--		
Total Revenues and Other Financing Sources		<u>24,578</u>	<u>--</u>	<u>24,578</u>	<u>29,473</u>	<u>4,895</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Orange County Development								
Agency Debt Service - Santa Ana Heights	\$ --	13,157	--	13,157	9,507	3,650	\$ --	\$ 3,650
Orange County Development								
Agency - Neighborhood Development and Preservation Project, Debt Service	--	14,487	1,001	15,488	13,908	1,580	--	1,580
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>27,644</u>	<u>1,001</u>	<u>28,645</u>	<u>23,415</u>	<u>5,230</u>	<u>\$ --</u>	<u>\$ 5,230</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(3,066)	(1,001)	(4,067)	6,058	<u>\$ 10,125</u>		
Fund Balances - Beginning of Year	--	6,782	--	6,782	21,137			
Cancellation of Reserves/Designations	--	--	--	--	(27,195)			
Provisions for Reserves and/or Designations	--	(3,716)	1,001	(2,715)	27,195			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 27,195</u>			

Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Pension Obligation Bonds</b>								
<b>Revenues and Other Financing Sources</b>								
Use of Money and Property		\$ 9,365	\$ --	\$ 9,365	\$ (6,488)	\$ (15,853)		
Transfers In		7,025	(24)	7,001	3,418	(3,583)		
Total Revenues and Other Financing Sources		16,390	(24)	16,366	(3,070)	(19,436)		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	25,479	(24)	25,455	22,708	2,747	\$ --	\$ 2,747
Total Expenditures/Encumbrances and Other Financing Uses	--	25,479	(24)	25,455	22,708	2,747	\$ --	\$ 2,747
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(9,089)	--	(9,089)	(25,778)	\$ (16,689)		
Fund Balances - Beginning of Year	--	1,410	--	1,410	228,273			
Cancellation of Reserves/Designations	--	7,679	--	7,679	(202,495)			
Provisions for Reserves and/or Designations	--	--	--	--	202,495			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 202,495			
<b>Orange County Special Financing Authority</b>								
<b>Revenues</b>								
Fines, Forfeitures and Penalties		\$ 43,380	\$ --	\$ 43,380	\$ 6,870	\$ (36,510)		
Use of Money and Property		2,173	--	2,173	5,008	2,835		
Total Revenues		45,553	--	45,553	11,878	(33,675)		
<b>Expenditures/Encumbrances</b>								
General Government:								
Orange County Special Financing Authority								
Total Expenditures/Encumbrances	\$ --	74,895	--	74,895	12,984	61,911	\$ --	\$ 61,911
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	(29,342)	--	(29,342)	(1,106)	\$ 28,236		
Fund Balances - Beginning of Year	--	36,837	--	36,837	141,900			
Cancellation of Reserves/Designations	--	--	--	--	(135,471)			
Provisions for Reserves and/or Designations	--	(7,495)	--	(7,495)	135,471			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 140,794			

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

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b><u>Criminal Justice Facilities</u></b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Fines, Forfeitures and Penalties		\$ 6,400	\$ --	\$ 6,400	\$ 8,768	\$ 2,368		
Use of Money and Property		822	--	822	1,648	826		
Intergovernmental Revenues			--		28	28		
Other Revenues		1,010	--	1,010	33	(977)		
Transfers In		8,110	14,043	22,153	13,988	(8,165)		
Total Revenues and Other Financing Sources		<u>16,342</u>	<u>14,043</u>	<u>30,385</u>	<u>24,465</u>	<u>(5,920)</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$ 1,052	8,312	464	9,828	3,857	5,971	\$ 404	\$ 5,567
Courthouse Temporary Construction	--	3,235	906	4,141	4,135	6	--	6
Sheriff-Coroner Construction and Facility Development	3,675	29,527	12,833	46,035	3,125	42,910	3,337	39,573
Theo Lacy Jail Construction	196	1,581	266	2,043	110	1,933	247	1,686
Total Expenditures/Encumbrances and Other Financing Uses	<u>4,923</u>	<u>42,655</u>	<u>14,469</u>	<u>62,047</u>	<u>11,227</u>	<u>50,820</u>	<u>\$ 3,988</u>	<u>\$ 46,832</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(4,923)	(26,313)	(426)	(31,662)	13,238	<u>\$ 44,900</u>		
Fund Balances - Beginning of Year	--	26,313	--	26,313	31,723			
Cancellation of Reserves/Designations	--	--	--	--	(3,988)			
Fund Balance Reserved for Encumbrances	4,923	--	--	4,923	3,988			
Provisions for Reserves and/or Designations	--	--	426	426	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 44,961</u>			



Supplemental Information  
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Redevelopment Agency</b>								
<b>Revenues and Other</b>								
<b>Financing Sources</b>								
Use of Money and Property		\$ 520	\$ --	\$ 520	\$ 1,394	\$ 874		
Intergovernmental Revenues		450	--	450	--	(450)		
Other Revenues		200	--	200	332	132		
Transfers In		1,450	--	1,450	1,450	--		
Total Revenues and Other Financing Sources		<u>2,620</u>	<u>--</u>	<u>2,620</u>	<u>3,176</u>	<u>556</u>		
<b>Expenditures/Encumbrances</b>								
General Government:								
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue	\$ 2,816	10,981	(997)	12,800	177	12,623	\$ 2,852	\$ 9,771
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing	--	186	(18)	168	13	155	--	155
Orange County Development Agency - Santa Ana Heights Surplus	22	14,416	710	15,148	623	14,525	67	14,458
Orange County Development Agency - Neighborhood Development and Preservation Projects, 1992 Issue A	25	813	6	844	3	841	25	816
Neighborhood Development and Preservation Project - Low/Moderate Income Housing, 1992 Issue A	4	2,652	154	2,810	80	2,730	4	2,726
Orange County Development Agency - Neighborhood Development and Preservation Projects, 1992 Issue B	5	248	45	298	1	297	5	292
Orange County Development Agency - Neighborhood Development and Preservation Projects, 1992 Issue B Low/Moderate Income Housing	5	2,437	11	2,453	2	2,451	5	2,446
Orange County Development Agency-Neighborhood Preservation and Development Construction	--	637	(54)	583	79	504	--	504
Orange County Development Agency - Neighborhood Development and Preservation Project Surplus	49	1,470	501	2,020	291	1,729	54	1,675
Total Expenditures/Encumbrances	<u>2,926</u>	<u>33,840</u>	<u>358</u>	<u>37,124</u>	<u>1,269</u>	<u>35,855</u>	<u>\$ 3,012</u>	<u>\$ 32,843</u>
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	(2,926)	(31,220)	(358)	(34,504)	1,907	<u>\$ 36,411</u>		
Fund Balances - Beginning of Year	--	31,194	--	31,194	40,190			
Cancellation of Reserves/Designations	--	26	--	26	(8,738)			
Fund Balance Reserved for Encumbrances	2,926	--	--	2,926	3,012			
Provisions for Reserves and/or Designations	--	--	358	358	5,726			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 42,097</u>			

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

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

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Special Assessment Districts, Community Facilities Districts, and Service Areas</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 960	\$ --	\$ 960	\$ 5,928	\$ 4,968		
Contributions from Property Owners		--	18,500	18,500	18,094	(406)		
Other Revenues		--	--	--	384	384		
Total Revenues		<u>960</u>	<u>18,500</u>	<u>19,460</u>	<u>24,406</u>	<u>4,946</u>		
<b>Expenditures/Encumbrances and Other Financing Uses</b>								
General Government:								
Aliso Viejo Community Facilities								
District 88-1(A) 1992-Construction	\$ --	5,006	245	5,251	12	5,239	\$ --	\$ 5,239
Special Assessment-Top of the World Improvement	--	44	--	44	--	44	--	44
CFD 99-1, Ladera Construction Series A of 1999 Construction	--	298	28	326	--	326	--	326
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction	--	1,386	11	1,397	1	1,396	--	1,396
Rancho Santa Margarita Community Facilities District 86-1, Series A of 1998 Construction	--	178	1	179	--	179	--	179
CFD 2002-1 Ladera Construction Lomas Laguna Community Facilities District 88-2 Construction	--	36,890	(6,279)	30,611	13,361	17,250	--	17,250
Baker Ranch Community Facilities District 87-6 Construction	--	342	2	344	--	344	--	344
Santa Teresita Community Facilities District 87-9 Construction	--	459	3	462	--	462	--	462
Newport Coast IV Construction 01-1	--	58	--	58	--	58	--	58
Newport Coast Construction 01-1 GR-2	--	11,225	(5,550)	5,675	2,247	3,428	--	3,428
Newport Coast Construction 01-1	--	--	2,500	2,500	--	2,500	--	2,500
Mission Viejo Community Facilities District 87-3(A) 90 Construction	--	--	16,000	16,000	158	15,842	--	15,842
CFD 2004-1 Ladera Construction CFD 01-1 Ladera Construction Series A of 2001 Construction	--	13	(11)	2	--	2	--	2
Santa Teresita Community Facilities District 87-9(A) 1991 Construction	--	66,505	(2,693)	63,812	306	63,506	--	63,506
CFD 00-1, Ladera Construction Series A of 2000 Construction	--	8,671	(240)	8,431	182	8,249	--	8,249
Newport Ridge Construction 92-1	--	60	63	123	1	122	--	122
Newport Ridge Construction Series B	--	70	--	70	--	70	--	70
Foothill Ranch Community Facilities District 87-4(A) 94 Construction	--	49	19	68	4	64	--	64
CFD 2003-1, Ladera Construction Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction	--	514	(276)	238	191	47	--	47
Coto de Caza Community Facilities District 87-8(A) 94 Construction	--	43,853	450	44,303	8,455	35,848	--	35,848
Public Ways and Facilities: County Infrastructure Project	--	63	--	63	--	63	--	63
Total Expenditures/Encumbrances and Other Financing Uses	--	184,395	1,730	186,125	25,106	161,019	\$ --	\$ 161,019
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	--	(183,435)	16,770	(166,665)	(700)	\$ 165,965		
Fund Balances - Beginning of Year	--	183,435	--	183,435	168,844			
Cancellation of Reserves/Designations Provisions for Reserves and/or Designations	--	--	--	--	(2,150)			
Fund Balances - End of Year	\$ --	\$ --	\$ (16,770)	\$ (16,770)	\$ 2,150			
								\$ 168,144

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

	Open Encumbrances July 1, 2005	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2006	Unspent Appropriations
<b>Permanent Fund</b>								
<b>Revenues</b>								
Use of Money and Property		\$ 4	\$ --	\$ 4	\$ 11	\$ 7		
Other Revenues		1	--	1	2	1		
Total Revenues		<u>5</u>	<u>--</u>	<u>5</u>	<u>13</u>	<u>8</u>		
<b>Expenditures/Encumbrances</b>								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	8	--	8	--	8	\$ --	\$ 8
Total Expenditures/Encumbrances	<u>--</u>	<u>8</u>	<u>--</u>	<u>8</u>	<u>--</u>	<u>8</u>	<u>\$ --</u>	<u>\$ 8</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(3)	--	(3)	13	<u>16</u>		
Fund Balances - Beginning of Year	--	3	--	3	97			
Cancellation of Reserves/Designations	--	--	--	--	(96)			
Provisions for Reserves and/or Designations	--	--	--	--	96			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 110</u>			

**BUDGETARY COMPARISON SCHEDULE  
 RECONCILIATION OF THE NONMAJOR GOVERNMENTAL FUNDS**

**Note B - Explanation of Differences between Budgetary Revenue and Other Financing Sources and Expenditures/Encumbrances and Other Financing Uses and GAAP Revenue, Expenditures, and Other Financing Sources (Uses).**

	<u>Parking Facilities</u>	<u>Orange County Housing Authority</u>	<u>Public Facilities Corporation Bonds, Master Lease</u>	<u>Orange County Public Finance Authority</u>
<b>Revenue and Other Financing Sources</b>				
Total Revenue and Other Financing Sources from the Budgetary Comparison Statements.	\$ 5,155	\$ 774	\$ --	\$ --
Differences-budget to GAAP:				
Revenue reported in the Statement of Revenue, Expenditures and Changes in Fund Balance for non-budgeted funds are excluded from the Budgetary Comparison Schedule.	<u>5,896</u>	<u>99,773</u>	<u>2,234</u>	<u>513,208</u>
Total Revenue and Other Financing Sources as reported on the Statement of Revenue, Expenditures and Changes in Fund Balance	<u>\$ 11,051</u>	<u>\$ 100,547</u>	<u>\$ 2,234</u>	<u>\$ 513,208</u>
<b>Expenditures/Encumbrances and Other Financing Uses</b>				
Actual expenditures reported in the Budgetary Comparison Statements	\$ 3,502	\$ 1,741	\$ --	\$ --
Differences-budget to GAAP:				
Expenditures reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance for non-budgeted funds are excluded from the Budgetary Comparison Schedules.	<u>6,264</u>	<u>100,174</u>	<u>2,607</u>	<u>432,716</u>
Total Expenditures and Other Financing Uses as reported on the Statement of Revenue, Expenditures and Changes in Fund Balance	<u>\$ 9,766</u>	<u>\$ 101,915</u>	<u>\$ 2,607</u>	<u>\$ 432,716</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.

#### Health and Other Self-Insured Employee Benefits

These funds are used to account for the County's self-funded health insurance programs, group salary continuance plan, and group dental insurance programs.

#### Health Maintenance Organization (HMO) Health Insurance

This fund is used to account for the managed system of medical care for the County employees and retirees.

#### Life Insurance

This fund is used to account for the County's life insurance and accidental death and dismemberment insurance for employees.

#### Workers' Compensation

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

#### Unemployment Insurance

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

#### Property and Casualty Risk

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

#### Transportation

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

#### 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>Total</u>	<u>Health and Other Self-Insured Employee Benefits</u>	<u>HMO Health Insurance</u>
<b><u>ASSETS</u></b>			
Current Assets			
Pooled Cash/Investments	\$ 225,271	\$ 75,216	\$ 4,137
Restricted Cash and Investments with Trustee	2,365	--	--
Imprest Cash Funds	133	125	--
Receivables			
Accounts Receivable	308	1	--
Interest/Dividends	1,268	461	--
Allowance for Uncollectible Receivables	(1)	(1)	--
Due from Other Funds	4,957	2,278	--
Due from Component Unit	2	--	--
Due from Other Governmental Agencies	847	725	--
Inventory of Materials and Supplies	125	--	--
Total Current Assets	<u>235,275</u>	<u>78,805</u>	<u>4,137</u>
Noncurrent Assets			
Capital Assets			
Construction in Progress	905	--	--
Structures and Improvements	4,856	--	--
Accumulated Depreciation	(3,770)	--	--
Equipment	82,530	--	--
Accumulated Depreciation	(62,610)	--	--
Total Capital Assets	<u>21,911</u>	<u>--</u>	<u>--</u>
Total Assets	<u>257,186</u>	<u>78,805</u>	<u>4,137</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	10,942	3,233	2,956
Salaries and Employee Benefits Payable	326	--	--
Due to Other Funds	1,546	7	--
Due to Other Governmental Agencies	8	--	--
Insurance Claims Payable	51,250	8,925	--
Compensated Employee Absences Payable	793	--	--
Capital Lease Obligations Payable	1,285	--	--
Total Current Liabilities	<u>66,150</u>	<u>12,165</u>	<u>2,956</u>
Noncurrent Liabilities			
Insurance Claims Payable	88,399	512	--
Compensated Employee Absences Payable	658	--	--
Capital Lease Obligations Payable	2,724	--	--
Total Noncurrent Liabilities	<u>91,781</u>	<u>512</u>	<u>--</u>
Total Liabilities	<u>157,931</u>	<u>12,677</u>	<u>2,956</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	17,902	--	--
Unrestricted	81,353	66,128	1,181
Total Net Assets	<u>\$ 99,255</u>	<u>\$ 66,128</u>	<u>\$ 1,181</u>

<u>Life Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	
\$ 185	\$ 79,066	\$ 8,316	
2,365	--	--	
--	--	--	
--	--	--	
--	476	52	
--	--	--	
--	205	--	
--	--	--	
--	3	--	
--	--	--	
<u>2,550</u>	<u>79,750</u>	<u>8,368</u>	
--	--	--	
--	--	--	
--	--	--	
--	5	--	
--	(5)	--	
<u>--</u>	<u>--</u>	<u>--</u>	
<u>2,550</u>	<u>79,750</u>	<u>8,368</u>	
37	734	9	
--	19	--	
--	33	1	
--	--	--	
--	32,407	908	
--	42	--	
--	--	--	
<u>37</u>	<u>33,235</u>	<u>918</u>	
--	72,713	--	
--	37	--	
--	--	--	
<u>--</u>	<u>72,750</u>	<u>--</u>	
<u>37</u>	<u>105,985</u>	<u>918</u>	
--	--	--	
<u>2,513</u>	<u>(26,235)</u>	<u>7,450</u>	
<u>\$ 2,513</u>	<u>\$ (26,235)</u>	<u>\$ 7,450</u>	

<b><u>ASSETS</u></b>	
Current Assets	
Pooled Cash/Investments	
Restricted Cash and Investments with Trustee	
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	

<b><u>LIABILITIES</u></b>	
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	

<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	
Total Net Assets	

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

<b>ASSETS</b>	<u>Property &amp; Casualty Risk</u>	<u>Transportation</u>	<u>Publishing Services</u>	<u>Information &amp; Technology</u>
<b>Current Assets</b>				
Pooled Cash/Investments	\$ 31,725	\$ 8,691	\$ 1,229	\$ 16,706
Restricted Cash and Investments with Trustee	--	--	--	--
Imprest Cash Funds	5	--	--	3
Receivables				
Accounts Receivable	104	199	4	--
Interest/Dividends	121	44	8	106
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	14	2,112	1	347
Due from Component Unit	--	--	--	2
Due from Other Governmental Agencies	26	30	57	6
Inventory of Materials and Supplies	--	125	--	--
<b>Total Current Assets</b>	<u>31,995</u>	<u>11,201</u>	<u>1,299</u>	<u>17,170</u>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Construction in Progress	--	905	--	--
Structures and Improvements	--	4,856	--	--
Accumulated Depreciation	--	(3,770)	--	--
Equipment	5	27,890	1,005	53,625
Accumulated Depreciation	(5)	(19,952)	(574)	(42,074)
<b>Total Capital Assets</b>	<u>--</u>	<u>9,929</u>	<u>431</u>	<u>11,551</u>
<b>Total Assets</b>	<u>31,995</u>	<u>21,130</u>	<u>1,730</u>	<u>28,721</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	550	355	131	2,937
Salaries and Employee Benefits Payable	23	136	37	111
Due to Other Funds	115	1,195	139	56
Due to Other Governmental Agencies	--	4	4	--
Insurance Claims Payable	9,010	--	--	--
Compensated Employee Absences Payable	71	327	79	274
Capital Lease Obligations Payable	--	--	--	1,285
<b>Total Current Liabilities</b>	<u>9,769</u>	<u>2,017</u>	<u>390</u>	<u>4,663</u>
<b>Noncurrent Liabilities</b>				
Insurance Claims Payable	15,174	--	--	--
Compensated Employee Absences Payable	126	237	61	197
Capital Lease Obligations Payable	--	--	--	2,724
<b>Total Noncurrent Liabilities</b>	<u>15,300</u>	<u>237</u>	<u>61</u>	<u>2,921</u>
<b>Total Liabilities</b>	<u>25,069</u>	<u>2,254</u>	<u>451</u>	<u>7,584</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	--	9,929	431	7,542
Unrestricted	6,926	8,947	848	13,595
<b>Total Net Assets</b>	<u>\$ 6,926</u>	<u>\$ 18,876</u>	<u>\$ 1,279</u>	<u>\$ 21,137</u>





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

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance
Operating Revenues			
Use of Money and Property	\$ 2,231	\$ --	\$ --
Charges for Services	64,663	--	--
Insurance Premiums	231,124	80,530	83,465
Total Operating Revenues	<u>298,018</u>	<u>80,530</u>	<u>83,465</u>
Operating Expenses			
Salaries and Employee Benefits	14,223	--	--
Services and Supplies	31,340	2,337	--
Professional Services	33,032	2,919	9
Operating Leases	3,573	--	--
Insurance Claims and Premiums	179,664	48,685	83,909
Other Charges	19,883	19,874	--
Depreciation	5,985	--	--
Total Operating Expenses	<u>287,700</u>	<u>73,815</u>	<u>83,918</u>
Operating Income (Loss)	<u>10,318</u>	<u>6,715</u>	<u>(453)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	745	725	--
Interest Revenue	7,380	2,613	310
Interest Expense	(64)	--	--
Gain (Loss) on Disposition of Capital Assets	(895)	--	--
Other Revenue - Net	3,428	1,116	--
Total Nonoperating Revenues	<u>10,594</u>	<u>4,454</u>	<u>310</u>
Income (Loss) Before Contributions and Transfers	20,912	11,169	(143)
Capital Contributions	418	--	--
Transfers In	6,154	1,317	9
Transfers Out	(326)	--	(310)
Increase (Decrease) in Net Assets	<u>27,158</u>	<u>12,486</u>	<u>(444)</u>
Net Assets - Beginning of Year	70,322	53,642	--
Adjustment Due to Reclassification	1,775	--	1,625
Net Assets - End of Year	<u>\$ 99,255</u>	<u>\$ 66,128</u>	<u>\$ 1,181</u>

Supplemental Information  
(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
\$ --	\$ --	\$ --	Operating Revenues
--	--	--	Use of Money and Property
986	47,166	1,743	Charges for Services
986	47,166	1,743	Insurance Premiums
			Total Operating Revenues
			Operating Expenses
--	694	--	Salaries and Employee Benefits
--	62	--	Services and Supplies
--	3,028	83	Professional Services
--	11	--	Operating Leases
1,435	34,050	1,533	Insurance Claims and Premiums
--	--	--	Other Charges
--	1	--	Depreciation
1,435	37,846	1,616	Total Operating Expenses
(449)	9,320	127	Operating Income (Loss)
			Nonoperating Revenues (Expenses)
--	--	--	Intergovernmental Revenues
107	2,326	290	Interest Revenue
--	--	--	Interest Expense
--	--	--	Gain (Loss) on Disposition of Capital Assets
--	306	--	Other Revenue - Net
107	2,632	290	Total Nonoperating Revenues
(342)	11,952	417	Income (Loss) Before Contributions and Transfers
--	--	--	Capital Contributions
2,721	1,104	--	Transfers In
(16)	--	--	Transfers Out
2,363	13,056	417	Increase (Decrease) in Net Assets
--	(39,291)	7,033	Net Assets - Beginning of Year
150	--	--	Adjustment Due to Reclassification
\$ 2,513	\$ (26,235)	\$ 7,450	Net Assets - End of Year

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

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
Operating Revenues				
Use of Money and Property	\$ --	\$ --	\$ --	\$ 2,231
Charges for Services	--	18,911	3,326	42,426
Insurance Premiums	17,234	--	--	--
Total Operating Revenues	<u>17,234</u>	<u>18,911</u>	<u>3,326</u>	<u>44,657</u>
Operating Expenses				
Salaries and Employee Benefits	977	6,138	1,568	4,846
Services and Supplies	10,909	7,931	1,077	9,024
Professional Services	345	1,539	460	24,649
Operating Leases	17	110	700	2,735
Insurance Claims and Premiums	10,052	--	--	--
Other Charges	--	6	3	--
Depreciation	1	3,207	61	2,715
Total Operating Expenses	<u>22,301</u>	<u>18,931</u>	<u>3,869</u>	<u>43,969</u>
Operating Income (Loss)	<u>(5,067)</u>	<u>(20)</u>	<u>(543)</u>	<u>688</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenues	--	--	--	20
Interest Revenue	858	247	52	577
Interest Expense	--	--	--	(64)
Gain (Loss) on Disposition of Capital Assets	--	90	--	(985)
Other Revenue - Net	1,312	274	293	127
Total Nonoperating Revenues	<u>2,170</u>	<u>611</u>	<u>345</u>	<u>(325)</u>
Income (Loss) Before Contributions and Transfers	(2,897)	591	(198)	363
Capital Contributions	--	418	--	--
Transfers In	--	1,003	--	--
Transfers Out	--	--	--	--
Increase (Decrease) in Net Assets	<u>(2,897)</u>	<u>2,012</u>	<u>(198)</u>	<u>363</u>
Net Assets - Beginning of Year	9,823	16,864	1,477	20,774
Adjustment Due to Reclassification	--	--	--	--
Net Assets - End of Year	<u>\$ 6,926</u>	<u>\$ 18,876</u>	<u>\$ 1,279</u>	<u>\$ 21,137</u>



County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 66,858	\$ --	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	231,124	80,530	83,465	986
Payments to Suppliers for Goods and Services	(232,358)	(54,454)	(80,962)	(1,400)
Payments to Employees for Services	(15,172)	--	--	--
Payments for Interfund Services Provided	(2,465)	(2,277)	--	--
Cash Receipts for Interfund Services Provided	7,191	1	--	--
Other Receipts	1,647	--	--	--
Other Payments	(22,501)	(19,484)	--	--
Net Cash Provided (Used) by Operating Activities	<u>34,324</u>	<u>4,316</u>	<u>2,503</u>	<u>(414)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	5,151	1,317	9	2,721
Transfers Out	(326)	--	(310)	(16)
Intergovernmental Revenues	745	725	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,570</u>	<u>2,042</u>	<u>(301)</u>	<u>2,705</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
<b>ACQUISITIONS</b>				
Acquisition of Capital Assets	(3,375)	--	--	--
Interest Paid on Long-Term Debt	(64)	--	--	--
Principal Paid on Capital Lease Obligations	(1,234)	--	--	--
Transfers In	1,003	--	--	--
Proceeds from Sale of Capital Assets	202	--	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(3,468)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest on Investments	7,116	2,554	310	109
Net Cash Provided by Investing Activities	<u>7,116</u>	<u>2,554</u>	<u>310</u>	<u>109</u>
Net Increase (Decrease) in Cash and Cash Equivalents	43,542	8,912	2,512	2,400
Cash and Cash Equivalents - Beginning of Year	182,452	66,429	--	--
Adjustment Due to Reclassification	1,775	--	1,625	150
Cash and Cash Equivalents - End of Year	<u>\$ 227,769</u>	<u>\$ 75,341</u>	<u>\$ 4,137</u>	<u>\$ 2,550</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 10,318	\$ 6,715	\$ (453)	\$ (449)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	5,985	--	--	--
Other Revenue - net	3,428	1,116	--	--
(Increases) Decreases In:				
Accounts Receivable	(122)	--	--	--
Due from Other Funds	3,705	(2,278)	--	--
Due from Component Unit	(1)	--	--	--
Due from Other Governmental Agencies	(742)	(725)	--	--
Inventory of Materials and Supplies	(4)	--	--	--
Increases (Decreases) In:				
Accounts Payable	6,543	711	2,956	35
Salaries and Employee Benefits Payable	(484)	--	--	--
Due to Other Funds	1,021	1	--	--
Due to Other Governmental Agencies	5	--	--	--
Insurance Claims Payable	5,137	(1,224)	--	--
Compensated Employee Absences Payable	(465)	--	--	--
Total Adjustments	24,006	(2,399)	2,956	35
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,324</u>	<u>\$ 4,316</u>	<u>\$ 2,503</u>	<u>\$ (414)</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets</b>				
Pooled Cash/Investments	\$ 225,271	\$ 75,216	\$ 4,137	\$ 185
Imprest Cash Funds	133	125	--	--
Restricted Cash and Investments with Trustee	2,365	--	--	2,365
Total Cash and Cash Equivalents	<u>\$ 227,769</u>	<u>\$ 75,341</u>	<u>\$ 4,137</u>	<u>\$ 2,550</u>

Workers' Compensation	Unemployment Insurance	Property & Casualty Risk
\$ --	\$ --	\$ --
47,166	1,743	17,234
(29,039)	(905)	(23,493)
(896)	--	(996)
(105)	--	(22)
644	--	5,146
296	--	1,193
--	--	--
<u>18,066</u>	<u>838</u>	<u>(938)</u>
1,104	--	--
--	--	--
--	--	--
<u>1,104</u>	<u>--</u>	<u>--</u>
--	--	--
--	--	--
--	--	--
--	--	--
<u>2,182</u>	<u>282</u>	<u>866</u>
<u>2,182</u>	<u>282</u>	<u>866</u>
21,352	1,120	(72)
57,714	7,196	31,802
--	--	--
<u>\$ 79,066</u>	<u>\$ 8,316</u>	<u>\$ 31,730</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
Transfers Out
Intergovernmental Revenues
Net Cash Provided (Used) 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
Adjustment Due to Reclassification
Cash and Cash Equivalents - End of Year

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

\$ 9,320	\$ 127	\$ (5,067)
1	--	1
306	--	1,312
--	--	(103)
645	--	5,146
--	--	--
--	--	--
--	--	--
(38)	6	297
(28)	--	(32)
(105)	--	(22)
--	--	--
8,139	705	(2,483)
(174)	--	13
<u>8,746</u>	<u>711</u>	<u>4,129</u>
<u>\$ 18,066</u>	<u>\$ 838</u>	<u>\$ (938)</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 Statement of Net Assets**

\$ 79,066	\$ 8,316	\$ 31,725
--	--	5
--	--	--
<u>\$ 79,066</u>	<u>\$ 8,316</u>	<u>\$ 31,730</u>

Pooled Cash/Investments
Imprest Cash Funds
Restricted Cash and Investments with Trustee
Total Cash and Cash Equivalents

County of Orange  
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COMBINING STATEMENT OF CASH FLOWS (Continued)  
 INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 18,891	\$ 3,303	\$ 44,664
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(9,566)	(1,507)	(31,032)
Payments to Employees for Services	(6,603)	(1,654)	(5,023)
Payments for Interfund Services Provided	--	(1)	(60)
Cash Receipts for Interfund Services Provided	1,289	81	30
Other Receipts	158	--	--
Other Payments	--	(409)	(2,608)
Net Cash Provided (Used) by Operating Activities	<u>4,169</u>	<u>(187)</u>	<u>5,971</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	--	--	--
Transfers Out	--	--	--
Intergovernmental Revenues	--	--	20
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>20</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(2,233)	(46)	(1,096)
Interest Paid on Long-Term Debt	--	--	(64)
Principal Paid on Capital Lease Obligations	--	--	(1,234)
Transfers In	1,003	--	--
Proceeds from Sale of Capital Assets	202	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(1,028)</u>	<u>(46)</u>	<u>(2,394)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest on Investments	232	54	527
Net Cash Provided by Investing Activities	<u>232</u>	<u>54</u>	<u>527</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,373	(179)	4,124
Cash and Cash Equivalents - Beginning of Year	5,318	1,408	12,585
Adjustment Due to Reclassification	--	--	--
Cash and Cash Equivalents - End of Year	<u>\$ 8,691</u>	<u>\$ 1,229</u>	<u>\$ 16,709</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (20)	\$ (543)	\$ 688
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,207	61	2,715
Other Revenue - net	274	293	127
(Increases) Decreases In:			
Accounts Receivable	(30)	(1)	12
Due from Other Funds	253	(1)	(60)
Due from Component Unit	--	--	(1)
Due from Other Governmental Agencies	10	(22)	(5)
Inventory of Materials and Supplies	(6)	2	--
Increases (Decreases) In:			
Accounts Payable	(94)	28	2,642
Salaries and Employee Benefits Payable	(197)	(56)	(171)
Due to Other Funds	1,036	81	30
Due to Other Governmental Agencies	4	1	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	(268)	(30)	(6)
Total Adjustments	<u>4,189</u>	<u>356</u>	<u>5,283</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,169</u>	<u>\$ (187)</u>	<u>\$ 5,971</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets</b>			
Pooled Cash/Investments	\$ 8,691	\$ 1,229	\$ 16,706
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	<u>\$ 8,691</u>	<u>\$ 1,229</u>	<u>\$ 16,709</u>





### **AGENCY FUNDS**

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.

#### **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 ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
JUNE 30, 2006  
(In Thousands)**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
<b><u>ASSETS</u></b>			
Pooled Cash/Investments	\$ 213,864	\$ 138,482	\$ 75,382
Imprest Cash Funds	100	--	100
Restricted Cash and Investments with Trustee	1,335	--	1,335
Investments	1,113	--	1,113
Deposits In-Lieu of Cash	12,496	--	12,496
Receivables			
Accounts	8,140	8,135	5
Taxes	196,564	196,386	178
Interest/Dividends	14,229	13,805	424
Due from Other Governmental Agencies	4,744	913	3,831
Notes Receivable	8,090	--	8,090
Total Assets	\$ 460,675	\$ 357,721	\$ 102,954
 <b><u>LIABILITIES</u></b>			
Interest Payable	\$ 15,276	\$ 15,276	\$ --
Deposits from Others	451	--	451
Monies Held for Others	75,323	--	75,323
Due to Other Governmental Agencies	39,024	11,844	27,180
Unapportioned Taxes	330,601	330,601	--
Total Liabilities	\$ 460,675	\$ 357,721	\$ 102,954

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

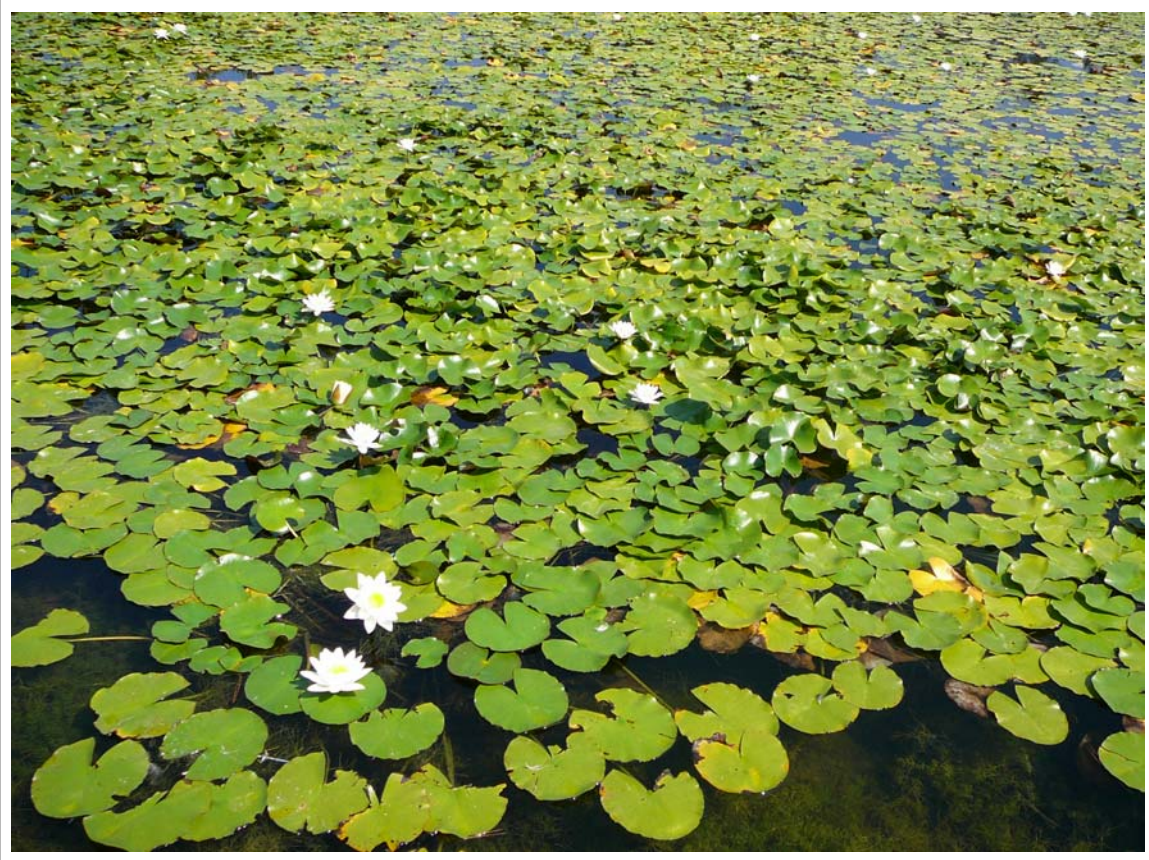
UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 122,865	\$ 5,542,966	\$ 5,527,349	\$ 138,482
Investments	--	417	417	--
Receivables				
Accounts	8,286	8,396	8,547	8,135
Taxes	152,689	12,807,363	12,763,666	196,386
Interest	1,424	175,218	162,837	13,805
Allowance for Uncollectible Receivables	(2)	2	--	--
Due from Other Funds	--	10,425	10,425	--
Due from Other Governmental Agencies	486	3,918	3,491	913
Total Assets	<u>\$ 285,748</u>	<u>\$ 18,548,705</u>	<u>\$ 18,476,732</u>	<u>\$ 357,721</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ --	\$ 104,209	\$ 104,209	\$ --
Interest Payable	8,442	126,724	119,890	15,276
Deposits From Others	--	1	1	--
Monies Held for Others	675	9,801	10,476	--
Due to Other Funds	--	10,485	10,485	--
Due to Other Governmental Agencies	11,663	62,554	62,373	11,844
Unapportioned Taxes	264,968	5,629,609	5,563,976	330,601
Deferred Revenue	--	14	14	--
Total Liabilities	<u>\$ 285,748</u>	<u>\$ 5,943,397</u>	<u>\$ 5,871,424</u>	<u>\$ 357,721</u>
DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 55,672	\$ 2,771,355	\$ 2,751,645	\$ 75,382
Imprest Cash Funds	110	--	10	100
Restricted Cash and Investments with Trustee	1,300	20,415	20,380	1,335
Investments	1,141	955	983	1,113
Deposits In-Lieu of Cash	13,769	3,328	4,601	12,496
Receivables				
Accounts	3	289	287	5
Taxes	40	254	116	178
Interest	194	4,050	3,820	424
Allowance for Uncollectible Receivables	--	1	1	--
Due from Other Funds	--	647,104	647,104	--
Due from Other Governmental Agencies	2,376	5,076	3,621	3,831
Notes Receivable	8,600	352	862	8,090
Total Assets	<u>\$ 83,205</u>	<u>\$ 3,453,179</u>	<u>\$ 3,433,430</u>	<u>\$ 102,954</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ --	\$ 259,132	\$ 259,132	\$ --
Salaries and Employee Benefits Payable	--	2,726	2,726	--
Deposits From Others	448	41,966	41,963	451
Monies Held for Others	64,121	1,947,201	1,935,999	75,323
Due to Other Funds	--	134,302	134,302	--
Due to Other Governmental Agencies	18,636	726,067	717,523	27,180
Deferred Revenue	--	232,387	232,387	--
Total Liabilities	<u>\$ 83,205</u>	<u>\$ 3,343,781</u>	<u>\$ 3,324,032</u>	<u>\$ 102,954</u>

Supplemental Information  
(Dollar Amounts in Thousands)

<u>TOTAL - ALL AGENCY FUNDS</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Pooled Cash/Investments	\$ 178,537	\$ 8,314,321	\$ 8,278,994	\$ 213,864
Imprest Cash Funds	110	--	10	100
Restricted Cash and Investments with Trustee	1,300	20,415	20,380	1,335
Investments	1,141	1,372	1,400	1,113
Deposits In-Lieu of Cash	13,769	3,328	4,601	12,496
Receivables				
Accounts	8,289	8,685	8,834	8,140
Taxes	152,729	12,807,617	12,763,782	196,564
Interest	1,618	179,268	166,657	14,229
Allowance for Uncollectible Receivables	(2)	3	1	--
Due from Other Funds	--	657,529	657,529	--
Due from Other Governmental Agencies	2,862	8,994	7,112	4,744
Notes Receivable	8,600	352	862	8,090
Total Assets	<u>\$ 368,953</u>	<u>\$ 22,001,884</u>	<u>\$ 21,910,162</u>	<u>\$ 460,675</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ --	\$ 363,341	\$ 363,341	\$ --
Interest Payable	8,442	126,724	119,890	15,276
Salaries and Employee Benefits Payable	--	2,726	2,726	--
Deposits from Others	448	41,967	41,964	451
Monies Held for Others	64,796	1,957,002	1,946,475	75,323
Due to Other Funds	--	144,787	144,787	--
Due to Other Governmental Agencies	30,299	788,621	779,896	39,024
Unapportioned Taxes	264,968	5,629,609	5,563,976	330,601
Deferred Revenue	--	232,401	232,401	--
Total Liabilities	<u>\$ 368,953</u>	<u>\$ 9,287,178</u>	<u>\$ 9,195,456</u>	<u>\$ 460,675</u>



# Statistical Section



*Orange County- Ralph B. Clark Regional Park*

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**STATISTICAL SECTION**  
**(UNAUDITED)**

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

<u>Contents</u>	<u>Page</u>
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<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	197
<u>Debt Capacity</u> These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	201
<u>Economic and Demographic Information</u> These schedules offer economic and demographic indicators to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	206
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	208

Note: The County began reporting accrual information when it implemented GASB Statement No. 34 in FY 2001-02.

Source: Unless other wise noted, the information in these schedules is derived from the Comprehensive Annual Financial reports for the relevant year.





**Net Assets by Component  
Last Five Fiscal Years  
(Accrual Basis of Accounting)**

	2005-06	2004-05	2003-04	2002-03	2001-02
<b>Governmental Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 2,306,178	\$ 2,336,881	\$ 2,259,064	\$ 2,183,152	\$ 1,703,213
Restricted for:					
Expendable					
Capital Projects	255,201	240,768	207,838	209,994	210,688
Debt Service	121,840	24,196	155,964	61,066	33,785
Legally Segregated Special Revenue Funds					
Restricted for Grants and Other Purposes	738,515	648,092	628,881	711,714	581,662
Nonexpendable					
Regional Park Endowment	109	97	91	87	82
Unrestricted	(33,051)	(44,929)	(280,592)	(374,852)	(363,291)
<b>Total Governmental Activities Net Assets</b>	<b>\$ 3,388,792</b>	<b>\$ 3,205,105</b>	<b>\$ 2,971,246</b>	<b>\$ 2,791,161</b>	<b>\$ 2,166,139</b>
<b>Business-Type Activities</b>					
Invested in Capital Assets, Net of Related Debt	\$ 343,390	\$ 335,795	\$ 315,335	\$ 293,959	\$ 240,969
Restricted for:					
Expendable					
Capital Projects	1,006	1,415	1,710	1,438	-
Debt Service	98,538	86,591	83,376	184,256	178,957
Unrestricted	311,290	259,395	229,681	93,935	103,475
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 754,224</b>	<b>\$ 683,196</b>	<b>\$ 630,102</b>	<b>\$ 573,588</b>	<b>\$ 523,401</b>
<b>Primary Government</b>					
Invested in Capital Assets, Net of Related Debt	\$ 2,649,568	\$ 2,672,676	\$ 2,574,399	\$ 2,477,111	\$ 1,944,182
Restricted for:					
Expendable					
Capital Projects	256,207	242,183	209,548	211,432	210,688
Debt Service	220,378	110,787	239,340	245,322	212,742
Legally Segregated Special Revenue Funds					
Restricted for Grants and Other Purposes	738,515	648,092	628,881	711,714	581,662
Nonexpendable					
Regional Park Endowment	109	97	91	87	82
Unrestricted	278,239	214,466	(50,911)	(280,917)	(259,816)
<b>Total Primary Government Net Assets</b>	<b>\$ 4,143,016</b>	<b>\$ 3,888,301</b>	<b>\$ 3,601,348</b>	<b>\$ 3,364,749</b>	<b>\$ 2,689,540</b>

Note: The County began reporting accrual information when it implemented GASB Statement No. 34 in FY 2001-02.

**Changes in Net Assets  
 Last Five Fiscal Years  
 (Accrual Basis of Accounting)**

	2005-06	2004-05	2003-04	2002-03	2001-02
<b>Expenses</b>					
Governmental Activities:					
General Government	\$ 227,536	\$ 171,771	\$ 170,820	\$ 193,192	\$ 182,237
Public Protection	972,996	947,698	905,229	892,817	863,159
Public Ways and Facilities	105,342	77,928	78,454	74,561	82,893
Health and Sanitation	467,640	455,059	447,743	441,047	430,954
Public Assistance	773,109	740,987	731,698	740,794	718,016
Education	40,452	30,641	31,978	29,108	28,583
Recreation and Cultural Services	72,535	73,530	76,249	70,273	70,875
Interest on Long-Term Debt	64,680	81,841	78,474	53,853	125,664
Subtotal Governmental Activities	<u>2,724,290</u>	<u>2,579,455</u>	<u>2,520,645</u>	<u>2,495,645</u>	<u>2,502,381</u>
Business-Type Activities:					
Airport	84,362	79,882	78,235	75,770	75,446
Waste Management	76,771	87,533	70,858	79,217	72,652
Subtotal Business-Type Activities	<u>161,133</u>	<u>167,415</u>	<u>149,093</u>	<u>154,987</u>	<u>148,098</u>
Total Primary Government Expenses	<u>\$ 2,885,423</u>	<u>\$ 2,746,870</u>	<u>\$ 2,669,738</u>	<u>\$ 2,650,632</u>	<u>\$ 2,650,479</u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services					
General Government	\$ 38,645	\$ 38,977	\$ 30,569	\$ 35,668	\$ 25,794
Public Protection	275,703	279,241	256,253	247,228	231,564
Public Ways and Facilities	42,483	34,884	44,728	33,516	29,900
Health and Sanitation	79,493	78,686	68,778	73,438	66,682
Public Assistance	4,709	3,794	3,436	4,607	3,899
Education	1,353	1,795	1,156	6,072	1,198
Recreation and Cultural Services	34,974	32,882	31,219	30,622	29,091
Operating Grants and Contributions	1,605,063	1,540,938	1,532,106	1,545,050	1,438,646
Capital Grants and Contributions	18,178	66,889	55,337	509,839 <sup>1</sup>	44,185
Total Governmental Activities Program Revenues	<u>\$ 2,100,601</u>	<u>\$ 2,078,086</u>	<u>\$ 2,023,582</u>	<u>\$ 2,486,040</u>	<u>\$ 1,870,959</u>
Business-Type Activities:					
Charges for Services					
Airport	101,775	95,562	90,657	83,330	76,456
Waste Management	114,239	114,541	112,498	107,858	103,926
Operating Grants and Contributions	22,846	13,968	7,459	10,494	1,637
Capital Grants and Contributions	1,720	10,703	6,183	16,374	1,610
Total Business-Type Activities Program Revenues	<u>240,580</u>	<u>234,774</u>	<u>216,797</u>	<u>218,056</u>	<u>183,629</u>
Total Primary Government Program Revenues	<u>\$ 2,341,181</u>	<u>\$ 2,312,860</u>	<u>\$ 2,240,379</u>	<u>\$ 2,704,096</u>	<u>\$ 2,054,588</u>

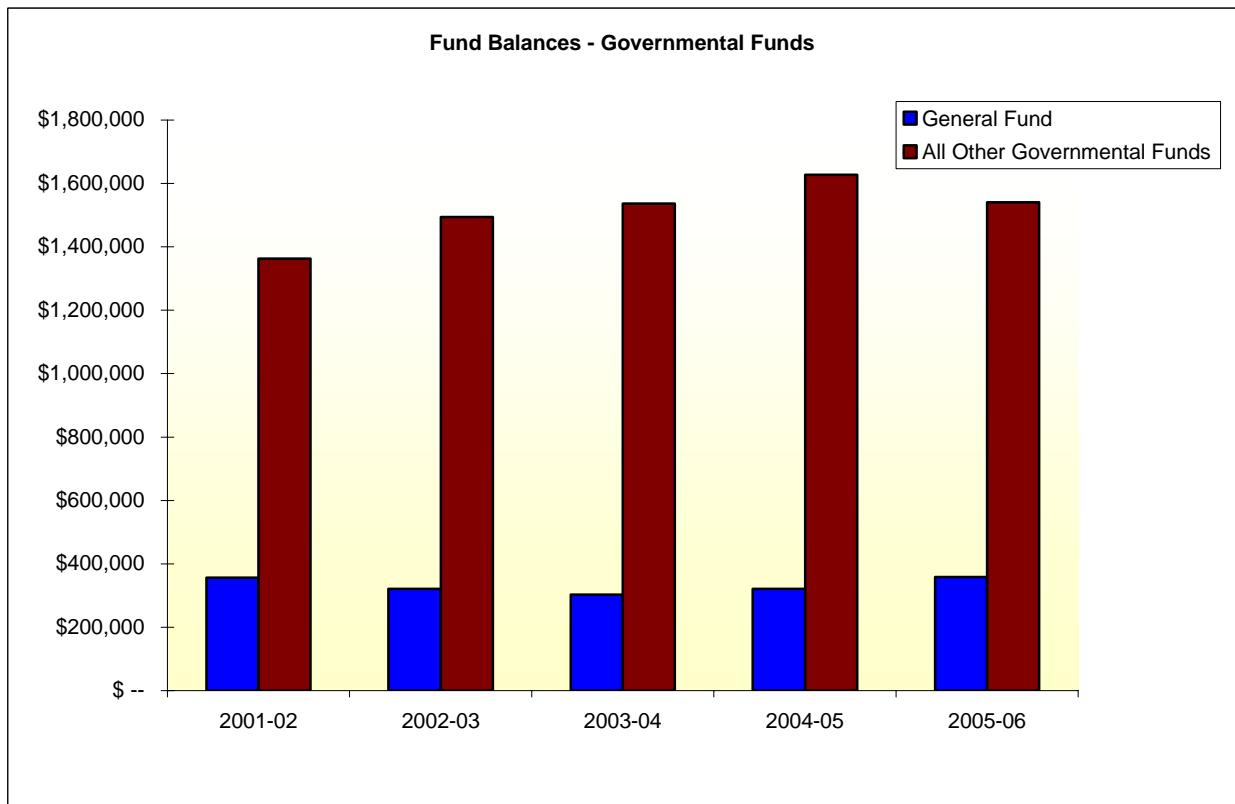
Notes: (1) Capital Grants and Contributions, there is a \$466.1 million variance between 2002 and 2003 and a \$521.5 million variance between 2003 and 2004 due to a capital grant from the Federal Government for the Santa Ana River Mainstem Project, which includes the construction of the Seven Oaks Dam.  
 (2) Beginning in FY 2004-05, a sales tax-property tax swap known as the "Triple Flip" was instituted causing a shift in property tax and Motor Vehicle License Fees. For additional information, see the notes to the financial statements.  
 (3) The County began reporting accrual information when it implemented GASB Statement No. 34 in FY 2001-02.

**Changes in Net Assets  
Last Five Fiscal Years  
(Accrual Basis of Accounting)**

	2005-06	2004-05	2003-04	2002-03	2001-02
<b>Net (Expense)/Revenue</b>					
Governmental Activities	\$ (623,689)	\$ (501,369)	\$ (497,063)	\$ (9,605)	\$ (631,422)
Business-Type Activities	79,447	67,359	67,704	63,069	35,531
Total Primary Government Net Revenue/(Expense)	<u>\$ (544,242)</u>	<u>\$ (434,010)</u>	<u>\$ (429,359)</u>	<u>\$ 53,464</u>	<u>\$ (595,891)</u>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 271,925	\$ 247,390 <sup>2</sup>	\$ 211,944	\$ 180,671	\$ 181,113
Property Taxes, Levied for Flood Control District	53,662	49,295	47,677	45,397	41,158
Property Taxes, Levied for Harbors, Beaches and Parks	39,869	37,504	35,450	33,761	30,630
Property Taxes, Levied for Public Library	31,408	28,893	25,739	24,243	22,666
Property Tax Increments	26,580	24,122	21,602	19,364	17,327
Property Taxes in Lieu of Motor Vehicle License Fees	158,240	141,319 <sup>2</sup>	--	--	--
Other Taxes	50,676	48,862	51,104	51,694	7,917
Grants and Contributions Not Restricted to Specific Programs	1,881	9,442	11,969	22,707	58,614
State Allocation of Motor Vehicle License Fees	56,873	54,325 <sup>2</sup>	189,732	178,446	172,916
Unrestricted Investment Earnings	38,588	30,674	25,753	18,195	32,835
Miscellaneous	66,239	48,823	44,023	46,258	52,288
Transfers	11,435	14,579	12,155	13,419	19,606
Total Governmental Activities	<u>\$ 807,376</u>	<u>\$ 735,228</u>	<u>\$ 677,148</u>	<u>\$ 634,155</u>	<u>\$ 637,070</u>
Business-Type Activities:					
Unrestricted Investment Earnings	\$ --	\$ --	\$ --	\$ --	\$ 14,647
Miscellaneous Revenues	3,016	314	965	537	1,211
Transfers	(11,435)	(14,579)	(12,155)	(13,419)	(19,606)
Total Business-Type Activities	<u>\$ (8,419)</u>	<u>\$ (14,265)</u>	<u>\$ (11,190)</u>	<u>\$ (12,882)</u>	<u>\$ (3,748)</u>
Total Primary Government	<u>\$ 798,957</u>	<u>\$ 720,963</u>	<u>\$ 665,958</u>	<u>\$ 621,273</u>	<u>\$ 633,322</u>
<b>Change in Net Assets</b>					
Governmental Activities	\$ 183,687	\$ 233,859	\$ 180,085	\$ 624,550	\$ 5,648
Business-Type Activities	71,028	53,094	56,514	50,187	31,783
Total Primary Government	<u>\$ 254,715</u>	<u>\$ 286,953</u>	<u>\$ 236,599</u>	<u>\$ 674,737</u>	<u>\$ 37,431</u>

**Fund Balances, Governmental Funds  
 Last Five Fiscal Years  
 (Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2005-06	2004-05	2003-04	2002-03	2001-02
<b>General Fund</b>					
Reserved	\$ 68,082	\$ 67,554	\$ 70,861	\$ 56,819	\$ 75,206
Unreserved, Designated	140,436	90,240	108,325	104,126	126,209
Unreserved, Undesignated	149,617	163,548	123,979	159,684	155,255
<b>Total General Fund</b>	<b>\$ 358,135</b>	<b>\$ 321,342</b>	<b>\$ 303,165</b>	<b>\$ 320,629</b>	<b>\$ 356,670</b>
<b>All Other Governmental Funds</b>					
Reserved	\$ 594,090	\$ 657,214	\$ 603,438	\$ 606,227	\$ 605,949
Unreserved, Designated	286,105	303,304	310,822	275,971	264,195
Unreserved, Undesignated for, Reported in:					
Special Revenue Funds	414,408	319,167	340,750	430,335	336,501
Debt Service Funds	5,323	122,873	101,447	1,354	210
Capital Projects Funds	240,326	225,030	180,477	179,733	155,589
Permanent Fund	14	13	7	33	28
<b>Total All Other Governmental Funds</b>	<b>\$ 1,540,266</b>	<b>\$ 1,627,601</b>	<b>\$ 1,536,941</b>	<b>\$ 1,493,653</b>	<b>\$ 1,362,472</b>



Note: The County began reporting accrual information when it implemented GASB Statement No. 34 in FY 2001-02.

**Changes in Fund Balances of Governmental Funds  
Last Five Fiscal Years  
(Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2005-06	2004-05	2003-04	2002-03	2001-02
<b>Revenues</b>					
Taxes	\$ 618,429	\$ 530,596	\$ 367,087	\$ 341,426	\$ 320,544
Licenses, Permits, and Franchises	18,011	19,767	15,867	15,730	11,807
Fines, Forfeitures and Penalties	70,624	70,686	60,038	68,406	63,881
Use of Money and Property	100,207	112,592	95,360	117,443	102,145
Intergovernmental	1,614,484	1,531,370	1,593,175	1,625,639	1,546,234
Charges for Services	386,332	379,216	360,719	345,609	306,932
Contributions from Property Owners	18,094	65,955	54,570	83,468	28,991
Other Revenues	90,721 <sup>1</sup>	268,174	215,343	137,677	92,560
Total Revenues	<u>2,916,902</u>	<u>2,978,356</u>	<u>2,762,159</u>	<u>2,735,398</u>	<u>2,473,094</u>
<b>Expenditures</b>					
General Government	303,827 <sup>1</sup>	356,883	293,679	221,977	161,023
Public Protection	910,531	874,789	875,096	826,232	788,238
Public Ways and Facilities	95,161	71,075	70,740	68,523	72,219
Health and Sanitation	458,741	446,887	439,380	435,898	417,373
Public Assistance	664,723	731,100	723,079	724,443	698,234
Education	40,061	29,745	31,069	27,684	26,748
Recreation and Cultural Services	67,776	67,411	66,606	67,654	61,601
Capital Outlay	99,519	207,146	124,210	149,914	151,296
Debt Service					
Principal Retirement	67,602	61,503	69,476	61,176	33,498
Escrow Bond Agent	230,719	--	4,314	--	12,914
Interest	57,028	67,134	67,699	71,921	73,286
Debt Issuance Costs	4,402	--	1,279	43	1,645
Total Expenditures	<u>3,000,090</u>	<u>2,913,673</u>	<u>2,766,627</u>	<u>2,655,465</u>	<u>2,498,075</u>
Excess of Revenues					
Over (Under) Expenditures	(83,188)	64,683	(4,468)	79,933	(24,981)
<b>Other Financing Sources (Uses)</b>					
Transfers In	245,441	244,551	303,456	281,927	624,869
Transfers Out	(239,834)	(239,314)	(295,587)	(269,537)	(606,836)
Premium on Bonds Issued	29,290	--	1,660	--	3,491
Remarketed Refunding Debt Issued	--	--	--	--	34,000
Payment to Remarketing Agent	--	--	--	--	(34,000)
Refunding Bonds Issued	565,762	--	38,465	--	106,445
Payment to Refunded Bond Escrow	(568,409)	--	(35,844)	--	(101,997)
Capital Leases	396	38,917	18,142	2,817	1,696
Total Other Financing Sources	<u>32,646</u>	<u>44,154</u>	<u>30,292</u>	<u>15,207</u>	<u>27,668</u>
Net Change in Fund Balances	<u>\$ (50,542)</u>	<u>\$ 108,837</u>	<u>\$ 25,824</u>	<u>\$ 95,140</u>	<u>\$ 2,687</u>
<b>Debt Service as a Percentage</b>					
of Noncapital Expenditures:	12.40%	4.75%	5.40%	5.31%	5.17%

Notes: (1) In FY 2005-06, the County eliminated the effect of intra-departmental billings and expenditures for annual required pension contribution. Prior years have not been restated.  
(2) The County began reporting accrual information when it implemented GASB Statement No. 34 in FY 2001-02.

**Assessed Value of Taxable Property <sup>(1)</sup>  
 Last Eight Fiscal Years**

Fiscal Year	Residential Property	Industrial/ Commercial Property	(2) Other Property	(3) Unsecured Roll Gross Total
2005-06	\$ 249,353,174	\$ 74,875,049	\$ 2,282,746	\$ 18,341,319
2004-05	223,183,830	70,139,371	2,224,382	18,385,370
2003-04	202,223,018	66,861,856	1,980,662	17,724,564
2002-03	185,488,834	64,216,309	2,223,463	18,234,577
2001-02	171,004,187	60,057,351	1,835,252	16,382,505
2000-01	156,278,012	54,900,170	1,802,008	15,344,588
1999-00	142,443,490	49,729,963	1,781,275	14,409,941
1998-99	129,208,143	47,023,468	1,746,564	13,451,853

- Notes:
- (1) Article XIII A, added to the California Constitution by Proposition 13 in 1978, fixed the base valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. At a 1%, thereafter, full cash value can be increased to reflect annual inflation up to 2 percent, current market value at time of ownership change and market value for new construction. Estimated actual value of taxable property cannot easily be determined as the property in the County is not reassessed annually. Reassessment normally occurs when ownership changes.
  - (2) Other property includes: timeshares, rural/agricultural land, unique miscellaneous, mineral rights, water rights and personal property and fixtures.
  - (3) Unsecured roll includes: properties for which taxes assessed are not a lien on real property and are not sufficient, in the opinion of the Assessor, to secure payment of taxes. It consists of improvements, business personal property, boats and aircrafts, and it can also include land and improvements that are identified as real estate of others, as defined by the Assessor (reference Revenue and Taxation Code Section 134).

Source: Orange County Assessor Department

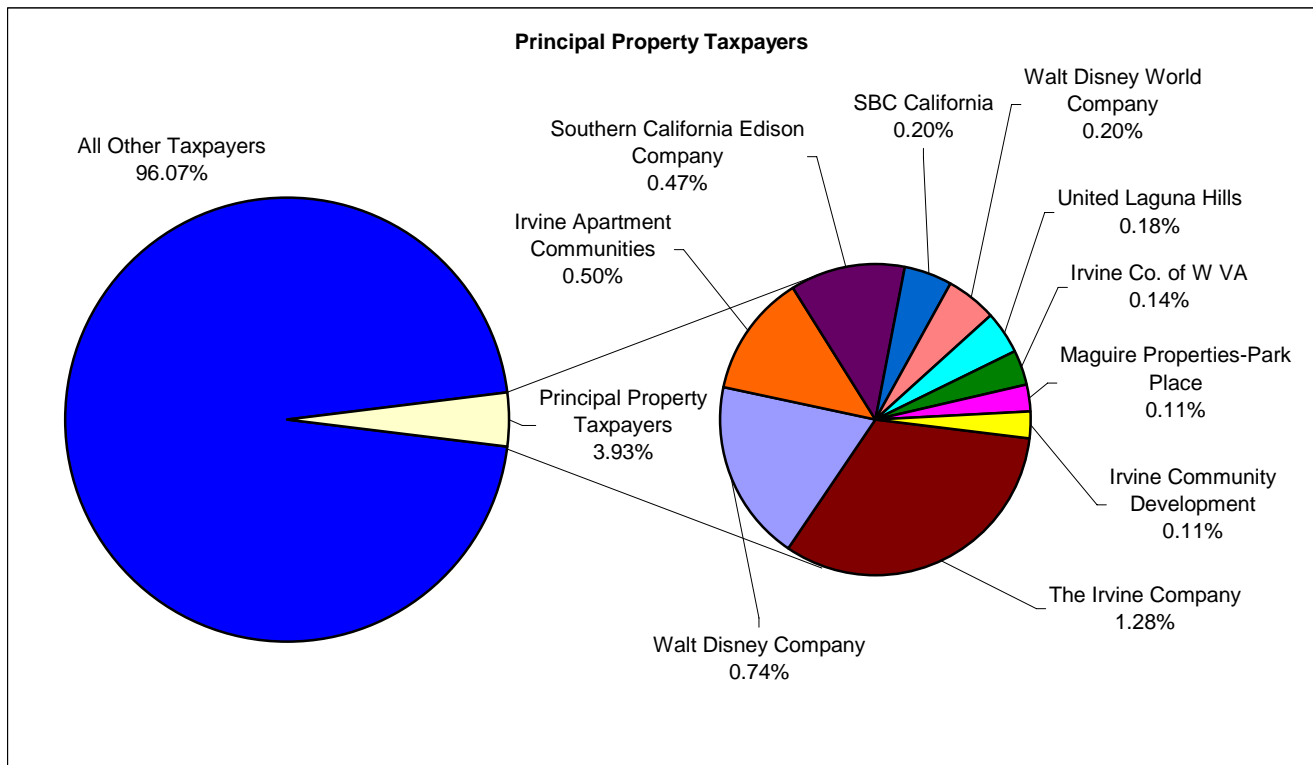
**Assessed Value of Taxable Property <sup>(1)</sup>  
Last Eight Fiscal Years**

Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	(1) Total Direct Tax Rate %
\$ 344,852,288	\$ (5,615,327)	\$ 339,236,961	1.00
313,932,953	(5,265,627)	308,667,326	1.00
288,790,100	(4,859,310)	283,930,790	1.00
270,163,183	(4,349,312)	265,813,871	1.00
249,279,295	(4,138,290)	245,141,005	1.00
228,324,778	(3,956,647)	224,368,131	1.00
208,364,669	(3,726,697)	204,637,972	1.00
191,430,028	(3,208,022)	188,222,006	1.00



**Principal Property Taxpayers  
 June 30, 2006 and June 30, 1997**

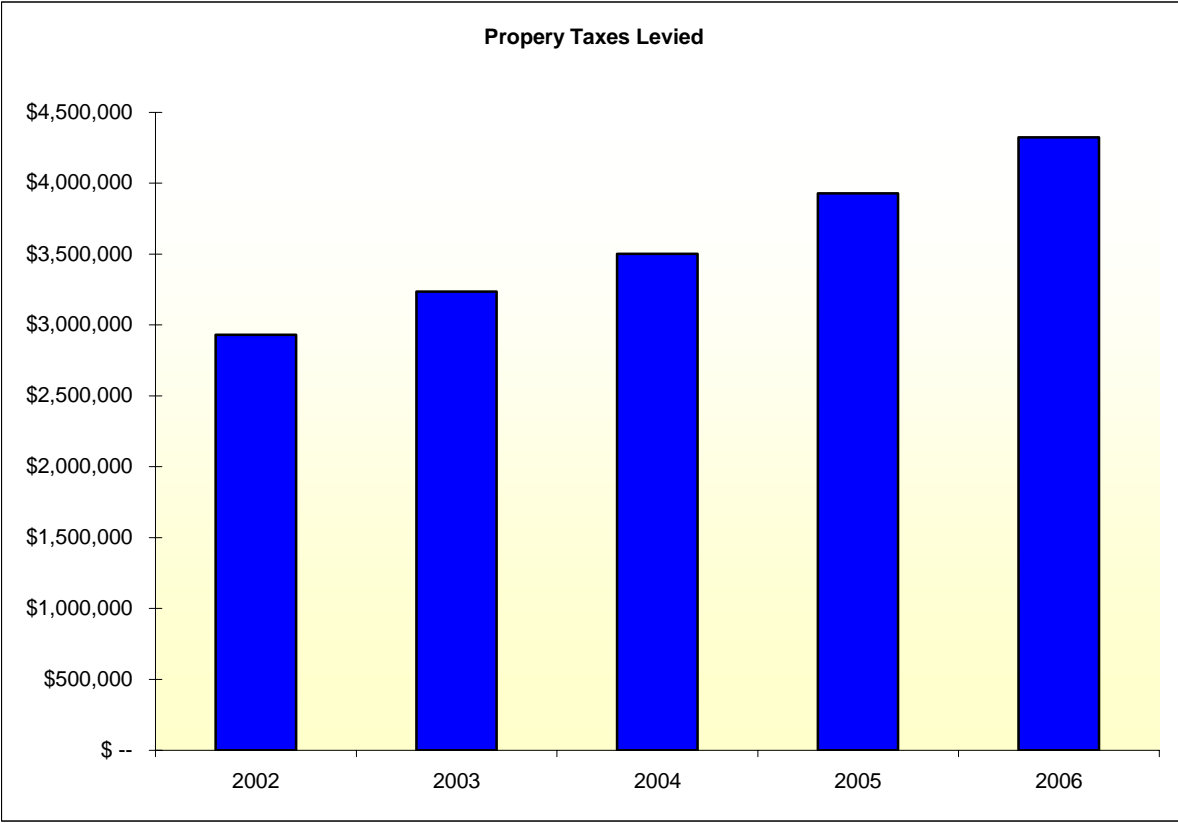
Taxpayer	2006			1997		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
The Irvine Company	\$ 48,788	1	1.28%	\$ 31,359	1	1.67%
Walt Disney Company	28,169	2	0.74%	10,081	5	0.54%
Irvine Apartment Communities	18,995	3	0.50%	13,005	4	0.69%
Southern California Edison Company	17,776	4	0.47%	16,520	2	0.88%
SBC California	7,727	5	0.20%	15,611	3	0.83%
Walt Disney World Company	7,644	6	0.20%			
United Laguna Hills	6,792	7	0.18%			
Irvine Co. of W VA	5,309	8	0.14%			
Maguire Properties-Park Place	4,318	9	0.11%			
Irvine Community Development	4,127	10	0.11%			
Rockwell International				8,168	6	0.43%
Arvida/JMB Partners LP II				5,749	7	0.31%
Aliso Viejo Company				5,378	8	0.29%
Rancho Santa Margarita				4,376	9	0.23%
Mission Viejo Company				3,946	10	0.21%
<b>Total</b>	<b>\$ 149,645</b>		<b>3.93%</b>	<b>\$ 114,193</b>		<b>6.08%</b>



Source: Treasurer-Tax Collector, County of Orange

**Property Tax Levies and Collections  
Last Five Fiscal Years (in thousands)**

Fiscal Year Ended June 30,	(1) Taxes Levied for the		(2) Collections Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount	Percentage of Levy	Amount		Percentage of Levy	
2006	\$ 4,323,550	\$ 4,133,562	95.61%	\$ 46,584	\$ 4,180,146	96.68%	
2005	3,929,458	3,844,104	97.83%	41,080	3,885,184	98.87%	
2004	3,501,754	3,437,180	98.16%	46,924	3,484,104	99.50%	
2003	3,236,257	3,154,950	97.49%	46,878	3,201,828	98.94%	
2002	2,930,982	2,874,785	98.08%	40,644	2,915,429	99.47%	



Notes: (1) Total tax levy includes secured, supplemental, unsecured and redevelopment agency tax increment.  
 (2) Total tax collections are reported net of refunds and impounds.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt by Type  
 Last Five Fiscal Years (in Thousands Except Per Capita)  
 (Accrual Basis of Accounting)**

Governmental Activities							
Fiscal Year	Refunding Recovery Bonds	Redevelopment Bonds	Certificates of Participation	Pension Obligation Bonds	Teeter Plan Revenue Bonds	Lease Revenue Bonds	(1) Capital Lease Obligations
2005-06	\$ 111,693	\$ 31,800	\$ 4,795	\$ 3,210	\$ --	\$ 396,699	\$ 101,546
2004-05	63,486	39,688	586,241	--	--	67,066	106,189
2003-04	79,367	55,390	616,071	--	--	72,026	71,712
2002-03	94,698	59,474	641,939	--	--	78,824	58,376
2001-02	105,044	64,287	667,088	--	--	86,534	59,398

- Notes:
- (1) Capital lease obligations arise from lease agreements which are in-substance like purchases. The agreements convey property rights to the lessee and the lessee assumes substantially all of the risks and benefits of ownership.
  - (2) See demographic and economic statistics schedule for assessed value and population data. The assessed value ratio and the debt per capita amounts are calculated using assessed value and population for the prior fiscal year.
  - (3) Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt by Type  
Last Five Fiscal Years (in Thousands Except Per Capita)  
(Accrual Basis of Accounting)**

Business-Type Activities					
Airport Revenue Bonds	Waste Management System Revenue Bonds	Total Primary Government	(2) Percentage of Assessed Value	(2) Per Capita	
\$ 77,824	\$ --	\$ 727,567	0.24%	\$ 239	
94,382	8,960	966,012	0.34%	320	
107,614	2,174	1,004,354	0.38%	337	
116,741	16,244	1,066,296	0.43%	363	
141,595	12,557	1,136,503	0.51%	393	

**Ratios of Net General Bonded Debt Outstanding  
 Last Five Fiscal Years (in Thousands Except Per Capita)  
 (Accrual Basis of Accounting)**

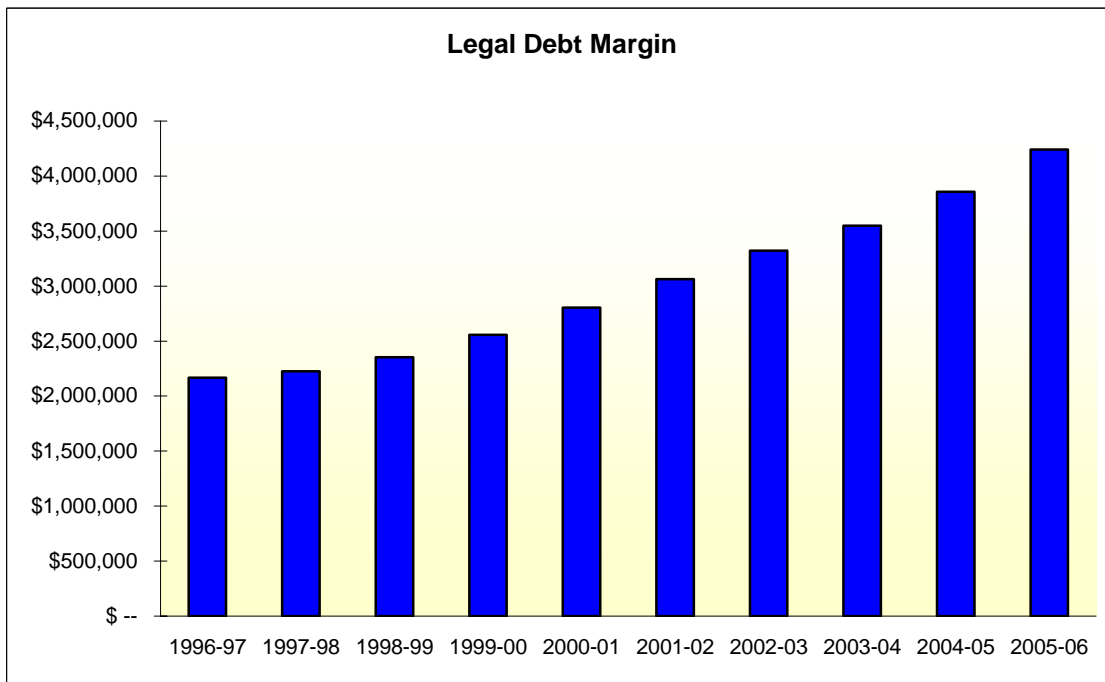
General Bonded Debt Outstanding						
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds	Reserve for Debt Payments	Total (Excess)/ Under	(1) Percentage of Assessed Value	(1) Per Capita
2005-06	\$ 131,420	\$ 205,705	\$ 328,063	\$ 9,062	0.00%	\$ 3
2004-05	210,705	111,772	375,492	(53,015)	-0.02%	(18)
2003-04	225,870	116,772	361,160	(18,518)	-0.01%	(6)
2002-03	240,110	120,772	337,697	23,185	0.01%	8
2001-02	247,455	134,612	315,459	66,608	0.03%	23

Notes: (1) See demographic and economic statistics schedule for personal income and population data. The assessed value ratio and the debt per capita amounts are calculated using assessed value and population for the prior fiscal year.  
 (2) Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Source: Auditor-Controller, County of Orange

**Legal Debt Margin as a Percentage of Debt Limit  
Last Ten Fiscal Years**

Fiscal Year	Assessed Value	Legal Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2005-06	\$ 339,236,961	\$ 4,240,462	\$ --	\$ 4,240,462	0%
2004-05	308,667,326	3,858,342	--	3,858,342	0%
2003-04	283,930,790	3,549,135	--	3,549,135	0%
2002-03	265,813,871	3,322,673	--	3,322,673	0%
2001-02	245,141,005	3,064,263	--	3,064,263	0%
2000-01	224,368,131	2,804,602	--	2,804,602	0%
1999-00	204,637,972	2,557,975	--	2,557,975	0%
1998-99	188,222,006	2,352,775	--	2,352,775	0%
1997-98	178,003,507	2,225,044	--	2,225,044	0%
1996-97	173,301,375	2,166,267	--	2,166,267	0%



Note: The amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the last equalized assessment property tax roll. In order for the County to issue general obligation bonds secured by ad valorem taxes on real property, California Constitution Article XIII A, section 1 requires the approval of 2/3 of the voters voting on the proposition.

Source: Auditor-Controller, County of Orange

County of Orange  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2006

**Pledged Revenue Coverage  
 Last Five Fiscal Years**

**Redevelopment Agency Bonds**

**Funding Source:** Property Tax Increment and Interest Earnings  
 Debt Service

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005-06	\$ 27,925	\$ 12,340	\$ 15,585	\$ 1,939	\$ 3,224	3.02
2004-05	24,776	10,366	14,410	2,257	3,246	2.62
2003-04	22,208	5,692	16,516	12,200	3,218	1.07
2002-03	19,832	8,436	11,396	1,935	4,284	1.83
2001-02	18,262	4,598	13,664	1,105	3,910	2.72

**Public Facilities Corporation Bonds**

**Funding Source:** Interest Earnings and Transfers  
 Debt Service

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005-06	\$ 2,234	\$ --	\$ 2,234	\$ 992	\$ 1,615	0.86
2004-05	2,952	--	2,952	2,520	85	1.13
2003-04	2,278	2	2,276	3,960	293	0.54
2002-03	3,741	--	3,741	4,485	548	0.74
2001-02	10,610	2	10,608	3,065	3,286	1.67

**Orange County Public Financing Authority**

**Funding Source:** Interest Earnings, Rents and Concessions, and Transfers  
 Debt Service

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005-06	\$ 73,479	\$ --	\$ 73,479	\$ 5,340	\$ 10,422	4.66
2004-05	8,910	--	8,910	5,170	3,747	1.00
2003-04	9,288	4	9,284	5,010	3,912	1.04
2002-03	9,988	--	9,988	4,550	4,369	1.12
2001-02	--	--	--	--	--	--

**Orange County Special Financing Authority**

**Funding Source:** Penalties and Costs on Delinquent Taxes and Interest Earnings  
 Debt Service

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005-06	\$ 11,878	\$ 9,470	\$ 2,408	\$ --	\$ 3,514	0.69
2004-05	9,699	6,163	3,536	--	2,128	1.66
2003-04	9,739	8,978	761	--	1,173	0.65
2002-03	12,465	10,785	1,680	700	1,489	0.77
2001-02	--	--	--	--	--	--

**Airport Revenue Bonds**

**Funding Source:** Rents and Concessions, Other Charges for Services, Interest Earnings, and Miscellaneous Revenue  
 Debt Service

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005-06	\$ 111,324	\$ 75,992	\$ 35,332	\$ 11,500	\$ 6,903	1.92
2004-05	99,621	70,459	29,162	10,780	6,511	1.69
2003-04	93,523	68,086	25,437	10,790	9,180	1.27
2002-03	86,304	64,390	21,914	10,360	9,736	1.09
2001-02	81,172	59,102	22,070	9,680	10,290	1.11

**Waste Management Revenue Bonds**

**Funding Source:** Sanitation Services and Interest Earnings  
 Debt Service

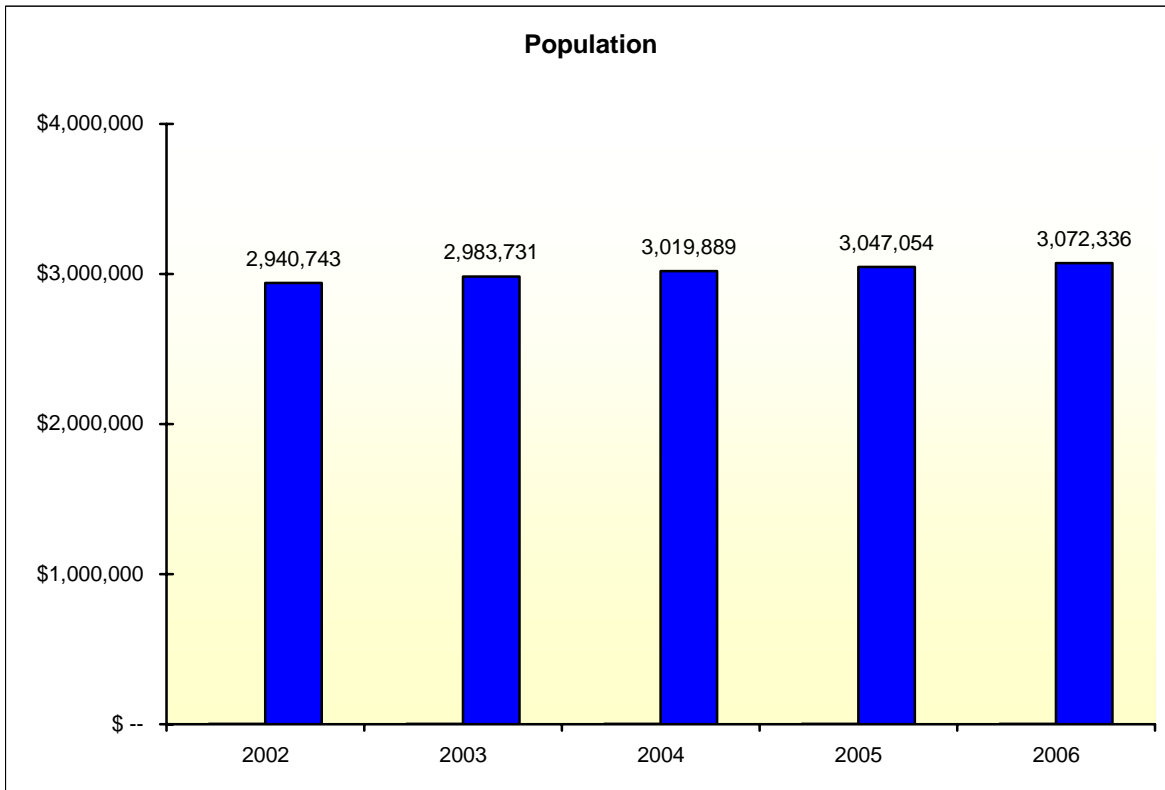
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2005-06	\$ 130,475	\$ 73,578	\$ 56,897	\$ 4,515	\$ 3,068	7.50
2004-05	124,706	84,280	40,426	4,280	3,335	5.31
2003-04	118,004	66,946	51,058	4,080	3,535	6.70
2002-03	115,766	75,127	40,639	3,905	3,674	5.36
2001-02	115,873	68,035	47,838	3,730	3,853	6.31

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

Source: Auditor-Controller, County of Orange

**Demographic and Economic Statistics  
Last Five Calendar Years**

Year	Population <sup>1</sup>	Personal Income <sup>2</sup> (In Thousands)	Per Capita <sup>2</sup> Personal Income (Actual Dollars)	Median <sup>3</sup> Age	Public School <sup>4</sup> Enrollment (In Thousands)	Unemployment <sup>5</sup> Rate
2006	3,072,336	N/A	N/A	N/A	510,114	N/A
2005	3,047,054	N/A	N/A	N/A	513,744	3.8%
2004	3,019,889	\$ 124,854	\$ 41,868	34.7	515,464	4.3%
2003	2,983,731	116,998	39,536	34.5	512,105	4.8%
2002	2,940,743	111,750	38,169	33.7	503,351	3.0%



N/A means Not Available

Sources: (1) California Department of Finance, Demographic Research Unit, <http://www.dof.ca.gov>  
(2) U.S. Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov/>  
(3) U.S. Census Bureau, 2003 American Community Survey Profile, <http://www.census.gov>  
(4) California Department of Education, <http://www.cde.ca.gov>  
(5) State of California, Employment Development Department, <http://www.edd.ca.gov/>



**Principal Employers  
 Last Year and Nine Years Ago**

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2005

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Employer	Number of Employees	Rank	Percentage of Total County Employment
The Walt Disney Company	21,000	1	1.31%
County of Orange	17,597	2	1.10%
University of California, Irvine	15,500	3	0.97%
The Boeing Company	11,160	4	0.70%
St. Joseph Health System	8,975	5	0.56%
Albertsons Incorporated	8,700	6	0.54%
Tenet Healthcare Corp.	8,389	7	0.52%
YUM! Brands Incorporated	6,500	8	0.41%
SBC Communications, Incorporated	5,658	9	0.35%
Target Corporation	5,436	10	0.34%

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1997

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Employer	Number of Employees	Rank	Percentage of Total County Employment
County of Orange	14,313	1	1.04%
The Walt Disney Company	12,110	2	0.88%
American Stores Company	7,709	3	0.56%
McDonnell Douglas Corporation	5,451	4	0.40%
The Boeing Company	5,350	5	0.39%
BankAmerica Corporation	5,200	6	0.38%
St. Joseph Health System	5,101	7	0.37%
PepsiCo. Incorporated	4,820	8	0.35%
Ralphs Grocery Company	4,674	9	0.34%
Flagstar Companies Incorporated	4,313	10	0.31%

Source: OC Business Journal Book of Lists

**Full-time Equivalent County Employees by Function  
Last Five Fiscal Years**

Function/Program	2005-06	2004-05	2003-04	2002-03	2001-02
General Government	1,384	1,342	1,335	1,317	1,303
Public Protection <sup>1</sup>	7,068	6,786	6,941	8,667	8,561
Public Ways and Facilities	598	544	532	500	481
Health and Sanitation	2,478	2,424	2,458	2,407	2,424
Public Assistance	4,029	3,787	3,728	3,946	3,909
Education	359	344	349	345	328
Recreation and Cultural Services	265	279	277	259	254
Airport	150	136	136	129	123
Waste Management	263	259	256	226	224
Orange County Children and Families Commission	15	12	12	10	7
<b>Total Full-time Equivalent Employees</b>	<b>16,609</b>	<b>15,913</b>	<b>16,024</b>	<b>17,806</b>	<b>17,614</b>

Notes: (1) In FY 2003-04, the State of California assumed control of Superior Court.  
(2) A full-time equivalent employee is calculated by dividing total labor hours by the total of hours in a fiscal year (2080).

Source: County Executive Office, County of Orange

**Operating Indicators by Function/Program  
 Last Two Fiscal Years**

Function/Program	2005-06	2004-05
<u>General Government</u>		
Auditor-Controller		
Property Tax Bills Prepared	1,155,562	1,136,302
Assessor		
Number of Real Property Valued	872,439	859,112
Number of Unsecured Property Assessed	171,542	168,300
New Parcels Created and Mapped	N/A	13,800
New Construction Events	18,260	33,250
County Executive Office		
Volunteer Program Service Hours	1,021,153	995,739
Clerk-Recorder <sup>1</sup>		
Marriage Licenses Issued	N/A	27,000
Copies of Birth Certificates Issued	N/A	130,000
Property-related Document Recordings	N/A	1,400,000
Treasure-Tax Collector		
Orange County Investment Pool Return	\$ 35,776,000	\$ 282,392,000
<u>Public Protection</u>		
Sheriff-Coroner		
Patrolled Cities	12	12
Patrolled Unincorporated Areas	17	17
Number of Bookings to Orange County Jail System	63,702	64,847
Average County Jail Head Count	6,133	6,604
District Attorney		
Defendants Prosecuted - Adult	71,094	67,756
Defendants Prosecuted - Juvenile	7,670	7,470
Probation		
Physical Arrests - Adult	3,210	2,623
Physical Arrests - Juvenile	1,473	1,429
<u>Recreation</u>		
Harbor, Beaches and Parks		
Exotic Invasive Plant Removal (acres)	47	47
Native Vegetation Restoration (acres)	12	12
Acreage Management (acres)	300	300
<u>Public Ways and Facilities</u>		
Resource and Development Management Department (RDMD)		
Building and Home Inspections	N/A	59,864

N/A means Not Available

Notes: (1) Figures are rounded.

Sources: Department/Agency Business Plans  
 County's *Fifty Things We Have Done For You Lately* brochure  
 County Departments

**Operating Indicators by Function/Program  
Last Two Fiscal Years**

Function/Program	2005-06	2004-05
<u>Health and Sanitation</u>		
Health Care Agency		
Animal Licenses	167,340	157,921
911 Emergency Medical Services Responses	141,850	141,284
Retail Food Facility Inspections Conducted	31,216	28,433
Hazardous Waste Inspections Conducted	6,122	6,294
Number of Home Visits by Public Health Nurses	42,646	35,600
Number of Low Income Children Dental Health Services	993	1,142
Number of Ocean Water Days of Closure (In Beach-Miles)	19	79
<u>Public Assistance</u>		
Housing and Community Development		
Adult Day Care Hours of Service	85,116	79,035
Elderly Nutrition Program Meals Delivered	1,665,392	1,667,021
One-Way Transportation Trips Provided to Seniors	226,689	213,998
Social Service Agency		
Average Monthly Adoptions	25	31
Average Medi-Cal Recipients	316,949	300,934
Average Monthly Child Abuse Hotline Calls	2,782	2,911
Average Monthly Food Stamp Recipients	79,487	79,931
Average Monthly In-Home Supportive Services	11,877	11,063
Average Daily Population at Orangewood Children's Home	115	95
<u>Education</u>		
Library		
Total Volumes Borrowed at Library Branches	6,919,627	6,913,954
<u>Airport</u>		
John Wayne Airport		
Passengers	9,600,753	9,530,981
Air Cargo Tonnage	24,246	23,162
Takeoffs & Landings	348,993	349,936
<u>Waste Management</u>		
Integrated Waste Management Department (IWMD)		
Solid Waste Tonnage	5,063,988	5,124,842
Gallons of Leachate and Impacted Ground Water Collected	3,922,890	3,713,480

**Capital Assets Statistics by Function  
 Last Two Fiscal Years**

Function/Program	2005-06	2004-05
<u>General Government</u>		
County Executive Office		
Hall of Administration	1	1
Data Center	1	1
Auditor-Controller		
Financial Building	1	1
<u>Public Protection</u>		
Probation Department		
Juvenile Institutions	5	5
District Attorney		
Justice Center Offices	6	6
Sheriff-Coroner		
Crime/Forensic Lab	1	1
Jail Facilities	3	3
Vehicles	646	624
Buses	16	14
Helicopters	3	3
Boats	3	3
Robot Andros	2	1
Haz-mat Vehicles	4	4
K-9 units	20	20
<u>Public Assistance</u>		
Social Service Agency		
Vehicles	7	7
Office Locations	30	30
<u>Parks and Recreation</u>		
Harbors Beaches & Parks		
Park Land (acres)	32,000	32,000
Open Land (acres)	7,000	7,000
Recreational Trails (in miles)	300	300
Zoo	1	1
Urban Regional Parks	12	12
Wilderness Parks	5	5
Nature Preserves	3	3
Harbors	2	2
Beaches	9	9
Historical Sites	7	7
Boats	17	17
Tractors	9	8
Trailers	15	14
Vehicles/Trucks	119	119

N/A means Not Available

Sources: Department/Agency Business Plans  
 County's *Fact and Figures 2006*  
 County Departments

**Capital Assets Statistics by Function  
Last Two Fiscal Years**

Function/Program	2005-06	2004-05
<u>Public Ways and Facilities</u>		
RDMD		
Alternate Fuel Vehicles	N/A	20
Street Miles	N/A	312
Watersheds	13	13
Dams	3	3
Vehicles/Trucks	30	18
Roads		
Dump Trucks	5	5
Tractors	8	8
Trailers	9	8
Vehicles/Trucks	149	142
<u>Education</u>		
Library		
Branches	32	32
<u>Health</u>		
Public Health Services		
Public Health Laboratory	1	1
Water Quality Laboratory	1	1
Clinics	15	15
<u>Airport</u>		
John Wayne Airport		
Acres	501	501
Runways	2	2
Public Parking Lots	5	5
Terminals	1	1
Fire Trucks	3	3
<u>Waste Management</u>		
IWMD		
Active Landfills	3	3
Inactive Landfills	2	2
Household Hazardous Waste Collection Centers	4	4
Dozers	15	17
Dump Trucks	4	4
Loaders	9	10
Scrapers	10	10
Tractors	34	28



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