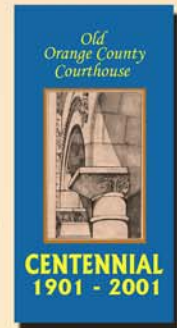


County of Orange

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2007



David E. Sundstrom, CPA
Auditor-Controller

The Old Orange County Courthouse, Santa Ana, California

The historical Old Orange County Courthouse is Southern California's oldest court building. It has the distinction of being on the National Register of Historic Places and listed as a State of California Historic Landmark. From its dedication in 1901, this granite and sandstone building has been the traditional home of county government. Today the 30,000-square foot building has been restored to look much as it had at the turn of the last century. The building contains the Orange County History Center (which includes the Old Courthouse Museum, the Orange County Archives, and the library of the Pacific Coast Archaeological Society) as well as government offices.

The Old Courthouse Museum, located in the landmark Old Orange County Courthouse, is a small institution devoted to the exhibition, interpretation and collection of local and regional history. The museum hosts approximately four exhibits and related programs each year that are open to the public.

Exhibits over the past years have included:

- ✚ Fly Now! Aviation Posters from the Smithsonian Institution's National Air and Space Museum
- ✚ Discovery, Devastation and Survival: California Indians in the Gold Rush
- ✚ Fossils in the Fast Lane
- ✚ Ansel Adams: Inspiration and Influence
- ✚ Moving Waters: The Colorado River and the West
- ✚ Precious Cargo: California Indian Cradle Baskets and Childbirth Traditions

One of our own talented County employees, Sandra Heaton, designed this year's cover; pulling from a collection of drawings and exhibition tour promotional banners that she has created over the years to publicize cultural events at the Old Courthouse Museum. Sandra's ink drawing of the Old Courthouse is a representation of the County seen so frequently that it has become part of the County's heritage.

The Old Courthouse Museum is managed by Orange County Harbors, Beaches and Parks and is located at 211 W. Santa Ana Blvd, Santa Ana. Museum hours are Monday through Friday from 9 a.m. to 5 p.m. Admission to the museum is free. The museum can be contacted at (714) 973-6607 or visit their website at www.ocparks.com/oldcourthouse.

Acknowledgements:

Cover and Insert Illustrations: Sandra Heaton, County of Orange Resources and Development Management Department.

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2007



David E. Sundstrom, CPA
Auditor-Controller

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Introductory Section



Citizenship Ceremony at the Old Orange County Courthouse





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DAVID E. SUNDSTROM, CPA
AUDITOR-CONTROLLER

December 12, 2007

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, 2007, 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, 2007, 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, 2007. The independent auditor's report is located at the front of the financial section of this report.

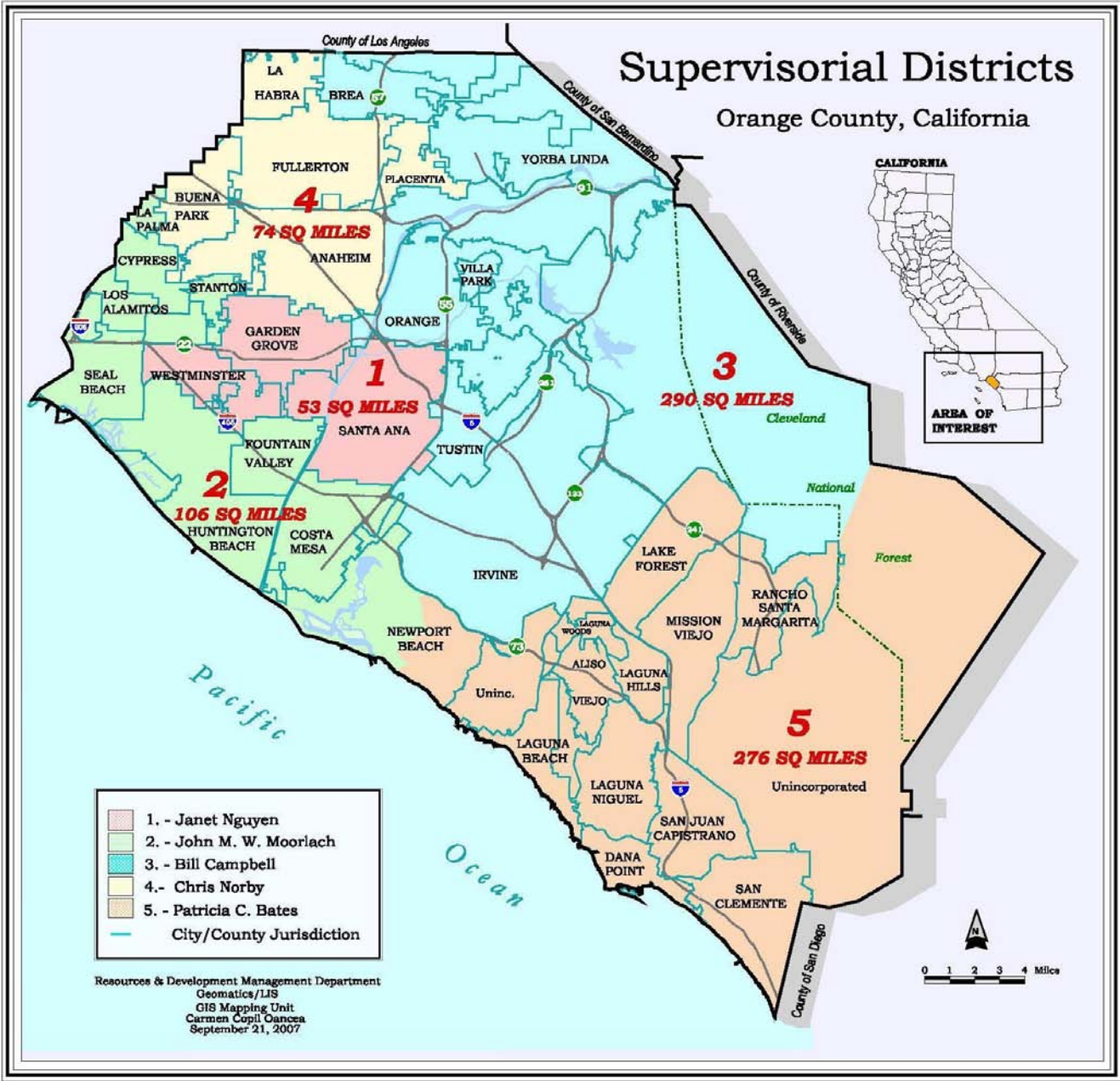
This letter of transmittal is designed to complement and should be read in conjunction with Management's Discussion and Analysis (MD&A) that immediately follows the independent auditor's report. MD&A provides a narrative introduction, overview, and an analysis of the basic financial statements.

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:

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

In addition to these services, the County is also financially accountable for the reporting of component units. Blended component units, although legally separate entities, are, in substance, part of the County's operations; and therefore, data from these units are combined with data of the County. The County has one component unit, the 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, 2007: 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 Statements for the General Fund and Major Special Revenue Funds are part of the Basic Financial Statements. The Budgetary Comparison Schedules for the nonmajor Governmental Funds with appropriated annual budgets 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. During Fiscal Year 2006-2007, an average of 569,000 visits were made to the Orange County web site each month and those visitors viewed an average of 1.9 million pages of information. The County's website includes information about the Board of Supervisors, e-mail to Board offices, Board Agendas, County job listings, purchasing bid solicitations, County directories, assessment appeals, links to court information and local court rules, voter information, County permits and forms, financial information such as the County tax rate book, the budget, and recent CAFRs. The site also provides several online services, including the ability to 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 performs relative to surrounding counties, the state and the nation (external indicators) and; how well the local economy performs 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.

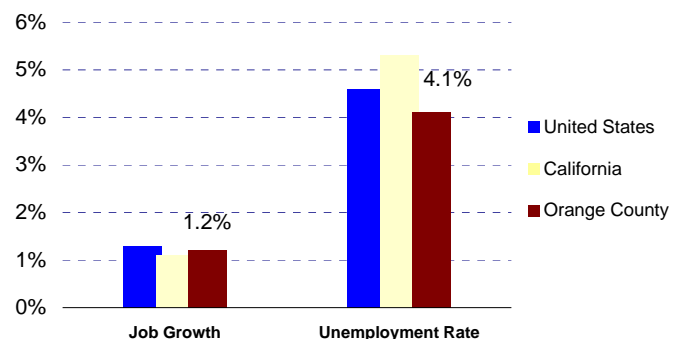
Orange County's unemployment rate continues to be one of the lowest in the State and is below that of all surrounding Southern California counties, the State of California, and the nation (see Table 1).

In addition, according to Chapman University, Orange County's job growth is expected to increase by 1.2% in 2007, resulting in approximately 18,489 more jobs relative to 2006. This compares favorably, in percentage growth, with the State of California at 1.1% and slightly below the national level at 1.3% during the same time period.

Table 1 : Unemployment Rate Comparison

Primary Government Entity	July 2007 Unemployment Rate
United States	4.6%
California	5.3%
Los Angeles County	5.4%
Orange County	4.1%
Riverside County	6.4%
San Bernardino County	5.7%
San Diego County	4.8%

Unemployment and Expected Job Growth Rates



Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2007

Inflation, as measured by the Consumer Price Index (CPI), is expected to be higher than the CPI at the national level in 2007. 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 \$78,700 (absolute dollars) in 2007 (see Table 3).

According to DataQuick Information Systems, the median home sales price for new and existing homes in Orange County was \$640,000 (absolute dollars) in July 2007 and in percentage terms, remained unchanged relative to July 2006. This lack of change in Orange County compares to an increase of 5.3% in Los Angeles County but decreases in other surrounding counties (see Table 4). The actual median sales price in Orange County continues to exceed all surrounding Counties by a substantial amount (see Table 4).

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

In terms of internal trends, current and projected indicators suggest that the growth of the Orange County economy will continue to be slow throughout 2007 (see Table 5). Comparisons of Orange County’s unemployment rates from January 2007 through July 2007 show a gradual increase since March 2007. Historical point-in-time unemployment rates in Orange County during the month of July for calendar years 2003 to 2007 show steady decreases since 2003 and an increase in 2007. Job growth in Orange County has

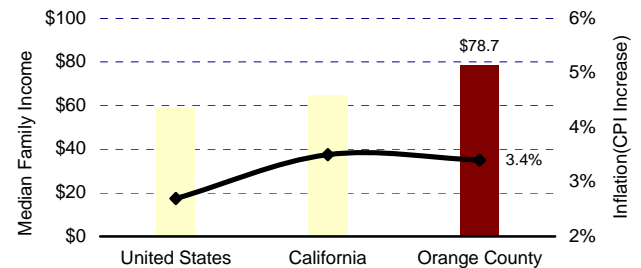
Table 2: 2007 – Projected Increase of the CPI

United States	California	Orange County
2.7%	3.5%	3.4%

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$59,000
California	\$65,000
Los Angeles County	\$56,500
Orange County	\$78,700
Riverside County	\$59,200
San Diego County	\$69,400

Comparisons of Inflation and Median Family Income

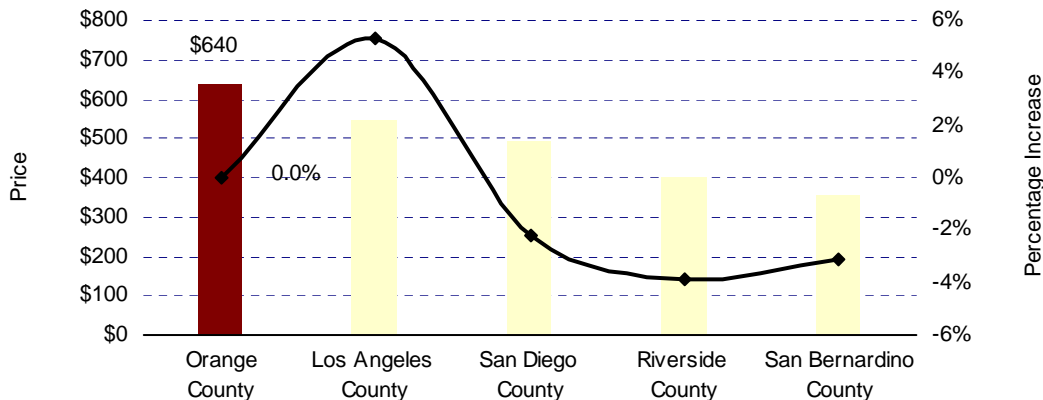


Sources: Economic & Business Review, Chapman University, June 2007
 U.S. Department of Housing and Urban Development, 2007

Table 4: Median Home Sales Price Comparison – Southern California Counties – July 2007

Primary Government Entity	Median Home Sales Price Change Increase/(Decrease)	Median Home Sales Price (absolute dollars)
Los Angeles County	5.3%	\$547,500
Orange County	0.0%	\$640,000
Riverside County	(3.9%)	\$399,000
San Bernardino County	(3.1%)	\$355,000
San Diego County	(2.2%)	\$489,000

Median Home Sales Price and Price Increase Comparison



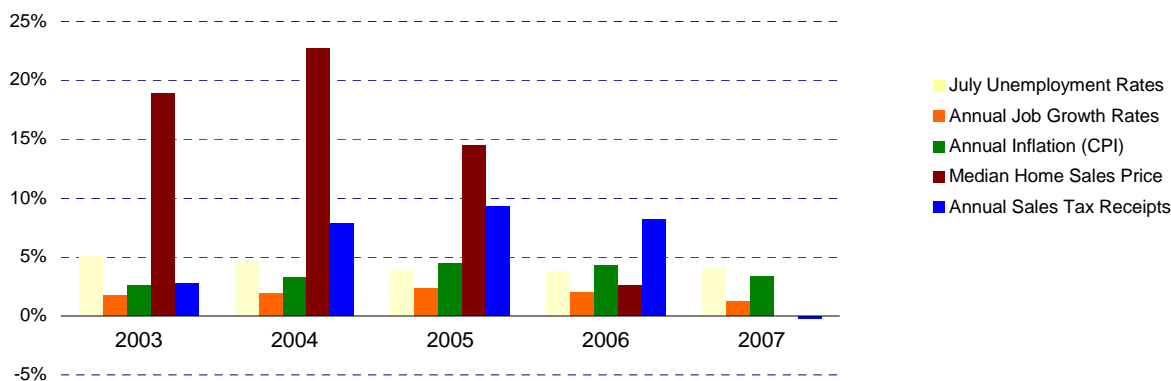
Source: DataQuick Information Systems, July 2007

been sporadic since 2003. Similarly, Orange County's historical CPI trends since 2003 have also been sporadic. Year-to-year home sales price changes in Orange County for the month of July from 2003 to 2007 indicate housing affordability continues to remain low, relative to surrounding counties. Annual sales tax receipts in Orange County continually increased from 2003 to 2006 and remained relatively unchanged in 2007 when compared to the previous fiscal year (see Table 5).

Table 5: Orange County Historical Data

Historical Indicators	2003	2004	2005	2006	2007
July Unemployment Rates	5.1%	4.6%	4.0%	3.8%	4.1%
Annual Job Growth	1.8%	1.9%	2.3%	2.0%	1.2%
Annual CPI Inflation	2.6%	3.3%	4.5%	4.3%	3.4%
Median Home Sales Price increase	18.9%	22.7%	14.5%	2.6%	0.0%
Annual Change in Sales Tax Receipts	2.8%	7.9%	9.3%	8.2%	(0.2%)

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, July 2007
DataQuick Information Systems, July 2007
Auditor-Controller, County of Orange

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 pace during the balance of 2007.

Long-Term Financial Planning

Strategic Plan: In March 1997, the Orange County Board of Supervisors initiated a financial planning process that is a key component of the County's commitment to fiscal responsibility, accountability and efficiency. As a result, the County has produced annual Strategic Financial Plans, the current year plan being adopted by the Board on December 18, 2007. 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 2006 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 Board adopted priorities provided guidance in preparing for the County's FY 2007-08 annual budget development process. This Strategic Financial Plan provided an overview of the County's anticipated revenues and financial expenditures, as well as, potential issues that may impact the County's limited resources over the next five years.

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. Healthy Eating and Physical Activity Program
9. Forensic Science DNA Program
10. Adult Re-Entry Program

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. To learn more about the SARP, visit the Orange County Flood Control Division's website at <http://www.ocflood.com>.

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 and required the transfer of all court facilities before June 30, 2007. In September 2007, SB 145 proposed extending the deadline to December 31, 2008, for the transfer of court facilities to the State; this bill did not pass. The State Administrative Office of Courts (State AOC) is under direction to continue to work on transfers, and to prepare the transfer agreements, pending legislative approval. 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, calculation of County Facilities Payments for each court facility, seismic ratings of buildings, current space allocation, current parking space allocation, approved capital projects, former Federal modular court facility and land value of the proposed new South Justice Center.

On December 12, 2006, the Board of Supervisors approved the "Letter of Intent" between the Superior Court of California, County of Orange, and State AOC relating to the Funding and Expansion of the South Justice Center in Laguna Niguel, California and directed County staff to work with the Superior Court of California and the State AOC to develop the Transaction Documents. The new South Justice Center will consist of the existing 4-courtroom courthouse and a new 14-courtroom courthouse (18 total courtrooms). The project cost for the courtrooms and a parking structure is estimated at approximately \$118,200, which will be financed through the issuance of bonds. The County's contribution will be capped at \$2,000 per year for 30 years, and the State AOC will pay the balance of the debt service which will be capped at \$6,000 per year for 30 years. Presently, staff of the County, Superior Court and State AOC are researching options for financing and construction of the project.

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 encumbrance on the 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

To achieve the goal of providing outstanding, cost-effective regional public services, the County of Orange applies sound management practices and policies that enhance the quality of life of its citizens. Such financial management practices have been identified by the Government Finance Officers Association of the United States and Canada (GFOA) and recognized by Fitch Ratings as best practices that promote financial soundness, efficiency in government and solvency in public finance. The table below summarizes the County’s financial management practices. For additional information regarding the County’s financial management practices, visit the CEO Finance and Budget website at <http://www.ocgov.com/finance/financeReports.asp>.

Relevant Financial Policies	
Department Business Plans	All County Departments prepare an annual Business Plan. Business Plans communicate the value the department brings to the community and outcome indicators that measure performance. A business plan sets forth long-term goals, operational and budget challenges, identifies strategies for overcoming challenges and making progress towards achieving those goals during the coming year.
Multiyear Strategic Financial Plan	The County’s Strategic Financial Plan is based on a five-year financial forecast and includes a 10-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. Department Business Plans are a key element of the Strategic Financial Plan process.
Five-Year Capital Improvement Plan	The County’s five-year Capital Improvement Plan (CIP) is a long-term list of significant projects funded by the General Fund in the Capital Projects budget. It also includes the five-year capital program for non-General Fund agencies. The CIP aids the County in its assessment of the best use of funds available in order to establish and prioritize its capital asset goals, while maintaining long-term financial stability.
Quarterly Budget Report	The County Executive Office issues quarterly budget reports that provide the Board of Supervisors, County departments, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, total budgeted positions and various departmental issues requiring adjustments to the County’s budget.
Annual Budget Policies and Guidelines	The Annual Budget reflects the County’s disciplined approach to fiscal management and is consistent with the County’s Strategic Financial Planning process. Department budgets are consistent with the priorities and operations plans contained in the Strategic Financial Plan and the approved departmental business plans. Departments use these planning processes, along with outcome indicators, to evaluate programs and redirect existing resources as needed for greater efficiency to reduce costs and minimize the need for additional resources.
Fund Balance Reserve Policy	The County General Fund currently contains formal reserves, appropriations for contingencies, appropriated reserve-type funds, and reserves held by others. The purpose of these reserves is to protect community programs and services from temporary revenue shortfalls and provide for unpredicted, sudden and unavoidable one-time expenditures.

Relevant Financial Policies (Continued)	
Contingency Planning Policy	<p>The County General Fund maintains a Reserve for Contingencies. The target amount for this reserve is 10% of ongoing annual General Purpose Revenues (excludes fund balance available and one-time amounts and transfers). For FY 2006-07, the target amount for the reserve was \$55,750. The current balance is \$39,000, a \$16,750 variance from the target.</p> <p>In addition to the Reserve for Contingencies, the County budgets an annual Appropriation for Contingencies of no less than \$5,000 in the General Fund, which may be used for significant unanticipated emergencies, catastrophes, one-time expenditures and opportunities.</p>
Debt Disclosure Practices	<p>The County presents a set of disclosures in the County's adopted Budget document and the CAFR.</p>
Pay-as-you-go Capital Funding	<p>The County's long term practice has been to use pay-as-you-go funding for capital projects whenever possible. The use of systematic long range financial planning assists in making fiscal decisions such as debt vs. pay-as-you-go capital project financing. The Strategic Financial Plan forecasts sources of the County's revenue and operating expenses and incorporates a list of previously identified and prioritized projects that will benefit the citizens of the County. The financial planning for capital projects considers the County's limited funding sources, the capital and operating costs, useful life of projects, and good business practices.</p> <p>Approximately 18% of the County's outstanding General Fund debt is related to capital projects. The majority of the capital projects are funded using pay-as-you-go financing. The most recent examples where the County has utilized pay-as-you-go funding for capital projects are the Theo Lacy Jail expansion, the floor by floor remodel of the Central Justice Center, and the Musick Facility Master Plan jail expansion.</p>
Credit and Debt Management Policy	<p>The County's long-term practice has been to rapidly repay debt when practicable. The County's Credit and Debt Management Policy states that one of its most important Goals and Objectives is to continue efficient debt reduction strategies through refunding, defeasance, or purchase and cancellation of bankruptcy related debt to lower the financial burden on the General Fund. Since 2000, using these strategies, the County has reduced its debt burden by approximately \$536,000.</p>
Public Financing Advisory Committee	<p>The Public Financing Advisory Committee (PFAC) is responsible for the review, approval, modification or denial of debt financing proposals. No debt financing proposal is considered by the Board of Supervisors unless recommended in writing by the PFAC. The PFAC membership consists of the following: five public voting members and three Ex-Officio (non-voting) County government members (the County Executive Officer, the elected Treasurer-Tax Collector, and the elected Auditor-Controller).</p>

Relevant Financial Policies (Continued)	
Audit Oversight Committee	The Audit Oversight Committee (AOC) oversees the quality of financial reporting activities, results of operations, internal controls, and planned and long-term commitments. The AOC also oversees and monitors County compliance with pertinent laws and regulations, applicable ethical standards, as well as conflicts of interest and fraud policies. The AOC membership consists of the following: the Chairman and Vice-Chairman of the Board of Supervisors, the elected Auditor-Controller, the County Executive Officer, the elected Treasurer-Tax Collector as Ex-Officio (non-voting) member, and one member from the private sector appointed by the Board of Supervisors.
Treasury Oversight Committee	The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement prepared by the Treasurer. The TOC membership consists of the following: the elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, one special district representative member, and one member from the public sector appointed by the Board of Supervisors.
24/7 Fraud Hotline	The Fraud Hotline is part of an ongoing fraud detection and prevention effort. The Fraud Hotline is intended for use by County employees, the general public, or vendors reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.
Financial Reporting Awards	The GFOA has awarded the Certificate of Achievement for Excellence in Financial Reporting to the County of Orange for its CAFR for twelve consecutive years and the Certificate of Outstanding Achievement for Popular Annual Reporting for four consecutive years for its OC Citizens' Report.

Major Initiatives

Water Quality: The County of Orange, Orange County Flood Control District, and 34 cities operate water quality programs pursuant to National Pollutant Discharge Elimination System program, 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 in streams, flood control channels, harbors, bays, and beaches 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 and educate the public on common activities that prevent pollution.

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 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, 2006. This represents the County's twelfth consecutive award. 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 fourth consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2006. The County received the GFOA 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 must publish a PAFR that reflects 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, 2006

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.



Cherie S. Cox

President

Jeffrey R. Emer

Executive Director

PRINCIPAL COUNTY OFFICIALS

Elective Office (Other Than Judicial)

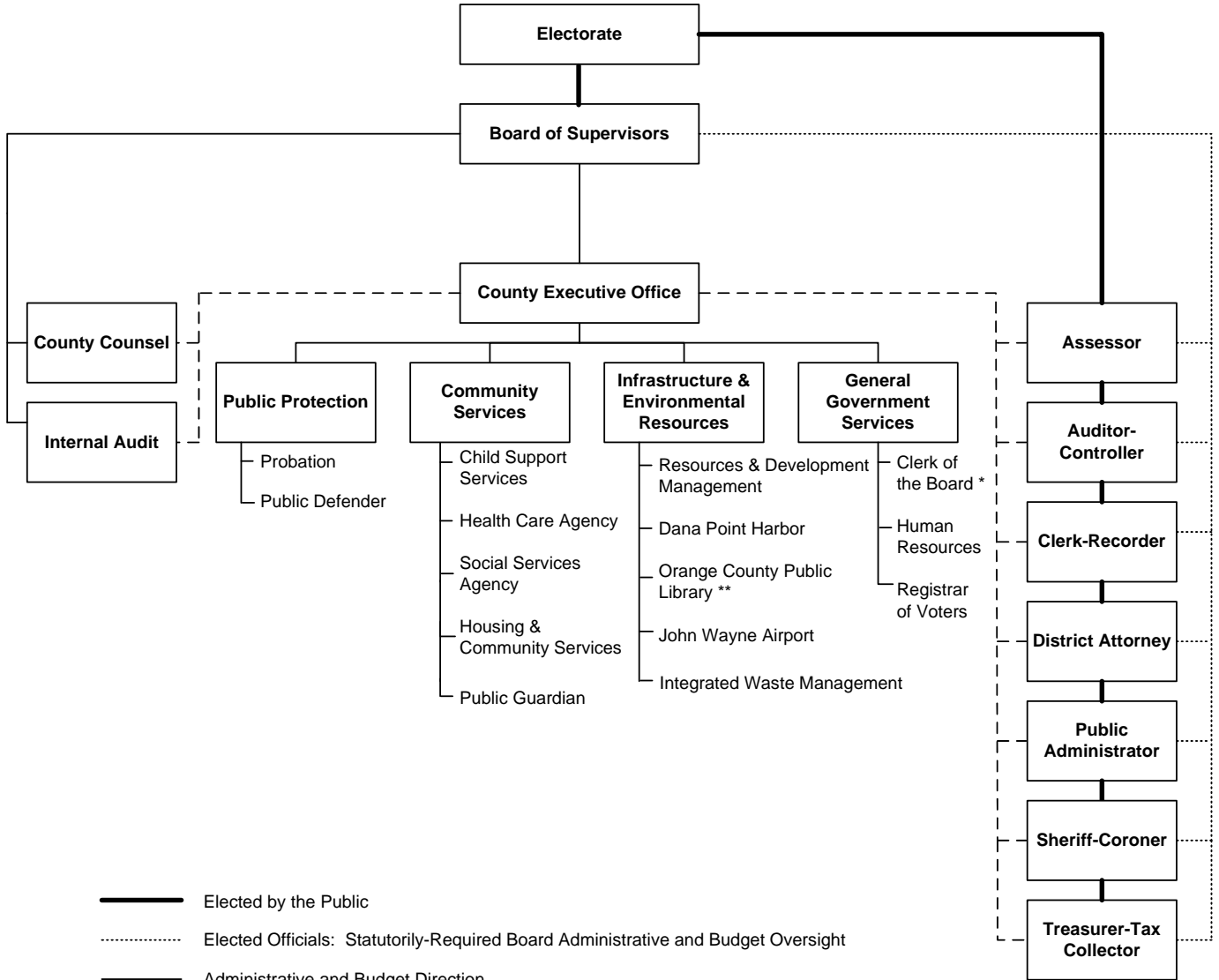
Office Holder

Supervisor, First District	Janet Nguyen
Supervisor, Second District.....	John M.W. Moorlach, Vice Chair
Supervisor, Third District.....	Bill Campbell
Supervisor, Fourth District.....	Chris Norby, Chair
Supervisor, Fifth District	Patricia C. Bates
Assessor	Webster J. Guillory
Auditor-Controller	David E. Sundstrom, C.P.A.
Clerk-Recorder	Tom Daly
District Attorney	Tony Rackauckas
Public Administrator	John S. Williams
Sheriff-Coroner	Michael S. Carona
Treasurer-Tax Collector	Chriss W. Street

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	Robert Franz
Deputy CEO, Infrastructure and Environmental Services	Alisa Drakodaidis
Deputy CEO, Government and Public Services	William D. Mahoney
Deputy CEO, Chief Information Officer	Satish Ajmani
County Librarian	Helen Fried
County Probation Officer	Colleene Preciado
Director of Child Support Services	Jan C. Sturla
Director of Dana Point Harbor.....	Vacant
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.....	Carl Crown
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



*The Old Orange County Courthouse Plan
This Plan was adopted by Board of Supervisors of Orange County in January, 1900*





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402 West Broadway, Suite 400
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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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Children and Families Commission of Orange County (Commission), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2007, 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 12, 2007 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 17 through 42 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.

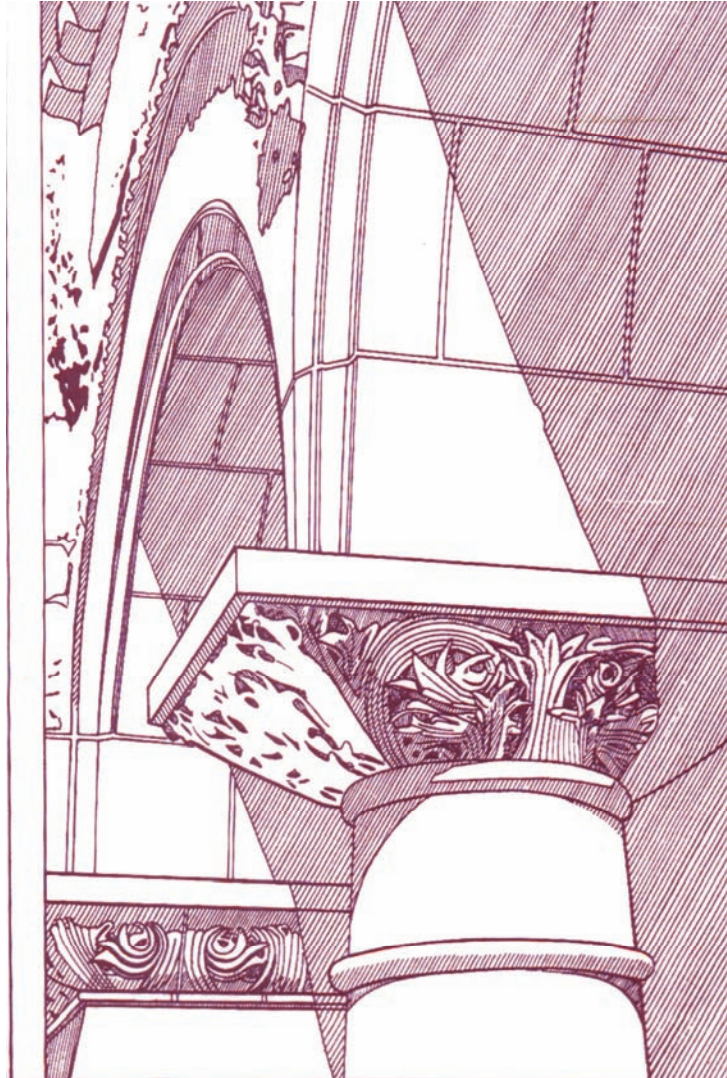
Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California
December 12, 2007



Management's Discussion and Analysis



Arch in the Old Orange County Courthouse

Illustrated by Sandra Heaton, County of Orange Resources and Development Management Department



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, 2007. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear 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 \$433,013 or 10% as compared to last year.
- Long-term debt decreased by \$55,049, or 5% during the current fiscal year.
- As of the end of the fiscal year, the County’s governmental funds reported combined ending fund balances of \$2,098,063, an increase of \$199,662, or 11% in comparison with the prior year.
- At June 30, 2007, unreserved, undesignated fund balance in the General Fund was \$115,701, or 4% of total FY 2006-07 expenditures and transfers of \$2,601,935.
- General Fund revenues and transfers ended the year 5% below budget.
- General Fund expenditures and transfers ended the year 9% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements presented in the County’s CAFR are divided into three different sections:

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

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

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

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances Budgetary Comparison Statement	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
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business-type services	Resources on behalf of others
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus Budgetary basis of accounting	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements consist of the following two financial statements: the Statement of Net Assets and the Statement of Activities. Both of these statements were prepared using an accounting method and a measurement focus similar to those used by private-sector companies, the accrual basis of accounting and the economic resources measurement focus. The **Statement of Net Assets** provides information regarding all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The **Statement of Activities**, on the other hand, provides information on how the government's net assets changed during the most recent fiscal year regardless of the period when the related cash or cash equivalent is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities distinguish functions of the County that are principally supported by taxes and intergovernmental revenue (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 2006-07, an increase of \$340,808 in net assets in the government-wide financial statements was reported, and an increase of \$199,662 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 most of 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, 2007, the County's combined net assets (governmental and business-type activities) totaled \$4,576,029, an increase of 10% from FY 2005-06.

The largest component of the County's net assets (58%) 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 \$1,806,768 which represents 39% 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, 2007, governmental activities showed \$135,826 in unrestricted net assets, compared to a negative amount of \$33,051 in FY 2005-06.

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

NET ASSETS – Primary Government						
June 30, 2007						
	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
ASSETS						
Current and other assets	\$ 3,246,730	\$ 2,832,965	\$ 744,233	\$ 660,212	\$ 3,990,963	\$ 3,493,177
Capital assets	2,366,219	2,373,933	501,529	500,814	2,867,748	2,874,747
Total Assets	5,612,949	5,206,898	1,245,762	1,161,026	6,858,711	6,367,924
LIABILITIES						
Long-term liabilities	1,369,667	1,393,453	329,881	340,154	1,699,548	1,733,607
Other liabilities	513,682	424,653	69,452	66,648	583,134	491,301
Total Liabilities	1,883,349	1,818,106	399,333	406,802	2,282,682	2,224,908
NET ASSETS						
Invested in capital assets, net of related debt	2,273,891	2,306,178	359,544	343,390	2,633,435	2,649,568
Restricted	1,319,883	1,115,665	486,885	410,834	1,806,768	1,526,499
Unrestricted	135,826	(33,051)	--	--	135,826	(33,051)
Total Net Assets	\$ 3,729,600	\$ 3,388,792	\$ 846,429	\$ 754,224	\$ 4,576,029	\$ 4,143,016

As of June 30, 2007, the County's total assets increased by 8%, or \$490,787 during the current fiscal year. Current and other assets increased by \$497,786 (14%) primarily as a result of operating activities, such as increases in property tax revenue and operating grants and contributions, as well as non-operating activities, such as capital contributions for land acquisition costs for the Santa Ana River Mainstem Project and the prepayment of future pension costs and the 2007 Pension Obligation Bonds. Capital assets decreased by \$6,999 (less than 1%).

Total liabilities for this year increased by 3%, or \$57,774. Other liabilities increased by \$91,833 (19%), mostly due to an increase in the issuance amount of the 2007 Pension Obligation Bonds, in comparison to the 2006 Pension Obligation Bonds. Long-term liabilities decreased by \$34,059 (2%).

For more information regarding capital assets and long-term liabilities, refer to the Capital Assets and Debt Administration section located within the Management's Discussion and Analysis.

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

CHANGES IN NET ASSETS – Primary Government						
For the Year Ended June 30, 2007						
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 504,324	\$ 477,360	\$ 239,109	\$ 216,014	\$ 743,433	\$ 693,374
Operating Grants and Contributions	1,759,887	1,605,063	691	22,846	1,760,578	1,627,909
Capital Grants and Contributions	69,340	18,178	6,731	1,720	76,071	19,898
General Revenues:						
Property Taxes	453,541	423,444	--	--	453,541	423,444
Property Taxes in Lieu of Motor Vehicle License Fees	206,933	158,240	--	--	206,933	158,240
Other Taxes	54,644	50,676	--	--	54,644	50,676
Grants and Contributions not Restricted to Specific Programs	1,917	1,881	--	--	1,917	1,881
State Allocation of Vehicle Motor License Fees	58,487	56,873	--	--	58,487	56,873
Other General Revenues	153,078	104,827	35,706	3,016	188,784	107,843
Total Revenues	3,262,151	2,896,542	282,237	243,596	3,544,388	3,140,138
EXPENSES						
General Government	281,739	227,536	--	--	281,739	227,536
Public Protection	1,055,593	972,996	--	--	1,055,593	972,996
Public Ways and Facilities	96,776	105,342	--	--	96,776	105,342
Health and Sanitation	527,541	467,640	--	--	527,541	467,640
Public Assistance	794,862	773,109	--	--	794,862	773,109
Education	32,722	40,452	--	--	32,722	40,452
Recreation and Cultural Services	80,279	72,535	--	--	80,279	72,535
Interest on Long-Term Debt	65,961	64,680	--	--	65,961	64,680
Airport	--	--	90,524	84,362	90,524	84,362
Waste Management	--	--	85,378	76,771	85,378	76,771
Total Expenses	2,935,473	2,724,290	175,902	161,133	3,111,375	2,885,423
Excess before Transfers	326,678	172,252	106,335	82,463	433,013	254,715
Transfers	14,130	11,435	(14,130)	(11,435)	--	--
Increase in Net Assets	340,808	183,687	92,205	71,028	433,013	254,715
Net Assets - Beginning of the Year	3,388,792	3,205,105	754,224	683,196	4,143,016	3,888,301
Net Assets - End of the Year	\$ 3,729,600	\$ 3,388,792	\$ 846,429	\$ 754,224	\$ 4,576,029	\$ 4,143,016

As of June 30, 2007, the County's net assets increased by 10%, or \$433,013 during the current fiscal year. Revenues for the year totaled \$3,544,388, an increase of \$404,250 from the previous year, and expenses totaled \$3,111,375, an increase of \$225,952.

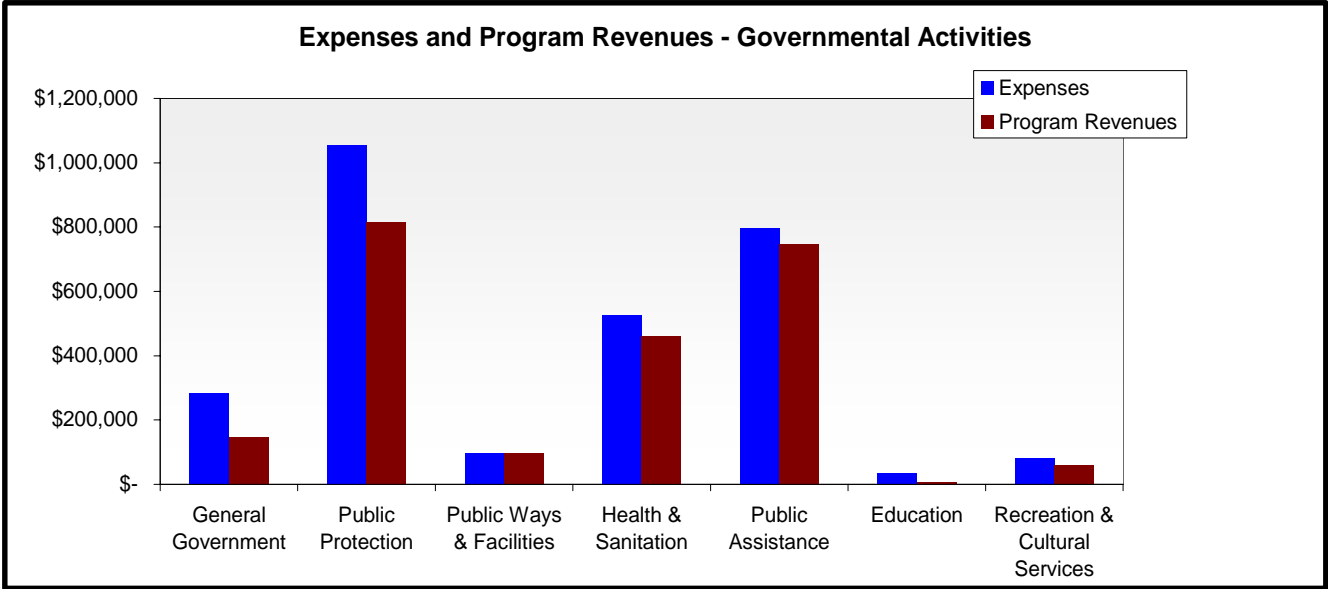
Governmental Activities

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.

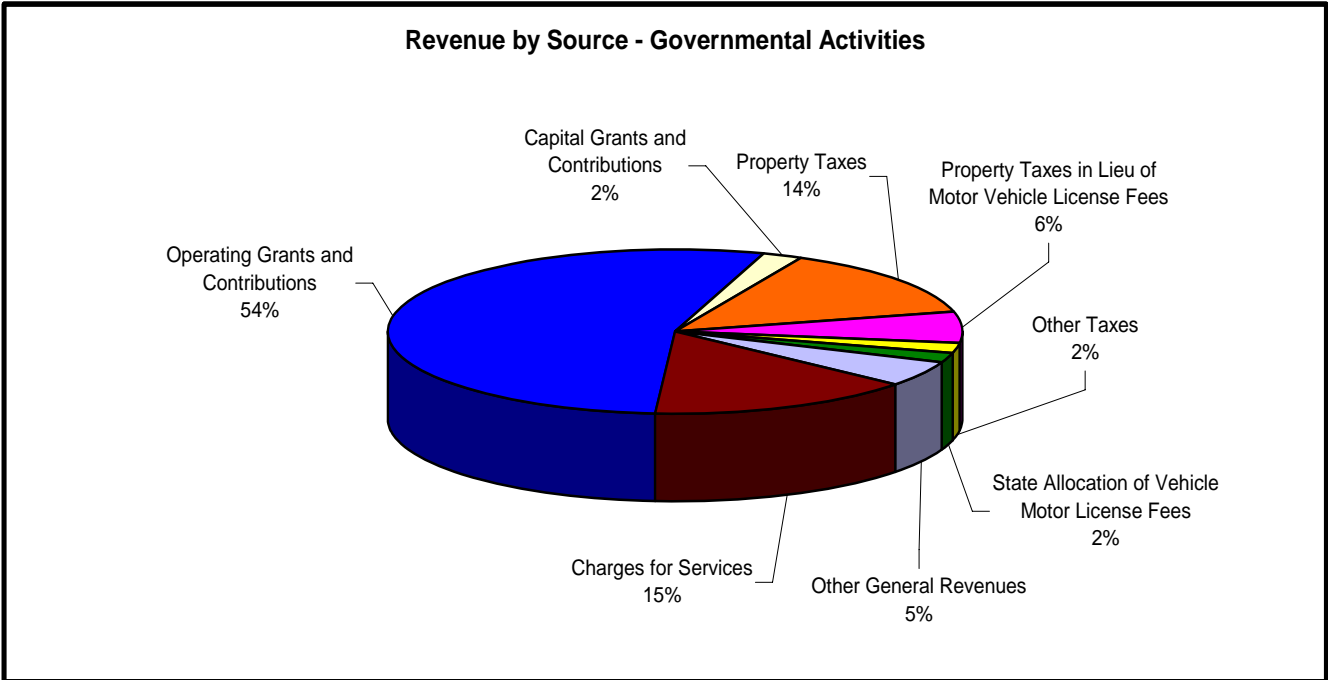
At the end of FY 2006-07 total revenues for the governmental activities, including transfers from the business-type activities were \$3,276,281, an increase of \$368,304 from the previous year. Expenses totaled \$2,935,473, an increase of \$211,183 from the prior year. While both revenues and expenses increased from the prior year, revenues increased at a greater rate than expenses. Governmental activities increased the County's net assets by \$340,808, accounting for 79% of the total growth in the net assets of the County. In addition to the effects of expenditure-driven grants, key elements of the change in net assets are as follows:

- Property Taxes in Lieu of Vehicle License Fees increased by \$48,693 due to the elimination of the Educational Revenue Augmentation Fund (ERAF III) contribution to the State and an increase in property tax assessed values.
- Operating Grants and Contributions increased by \$154,824 due to higher interest earnings related to purpose restricted revenue not accessible by the General Fund, more Proposition 63 (Mental Health Services Act) revenue than in FY 2005-06, higher revenues due to the passage of AB 1799, the Umberg Bill, which provided for State reimbursements to the Registrar of Voters for the November 2006 General Election and several unplanned elections resulting from a vacancy occurring in the State Senate, a reimbursement from the Help America Vote Act for voting equipment, and an increase in Orange County Transportation Authority (OCTA) project revenues.
- Capital Grants and Contributions increased by \$51,162 due primarily to capital contributions for land acquisition costs associated with the Santa Ana River Mainstem Project.
- Other General Revenues increased by \$48,251 due to rising interest rates, larger cash balances than projected, and the recognition of a gain from the sale of the Katella Yard property.
- General Government expenses increased by \$54,203 due to the loss on disposition of capital assets and reimbursements to the city of Mission Viejo and the Ladera Ranch Company for construction costs and street improvements.
- Public Protection expenses increased by \$82,597 due primarily to increases in employee salaries and benefits and retirement costs, and the acquisition of the Green River Golf Club for the Santa Ana River Mainstem Project.
- Health and Sanitation expenses increased by \$59,901, primarily due to the construction costs for the Upper Newport Bay Ecosystem Restoration Project (to improve sediment dredging management and increase tidal circulation for water quality), the startup of Proposition 63 program contracts, and increases in salaries and retirement costs.

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

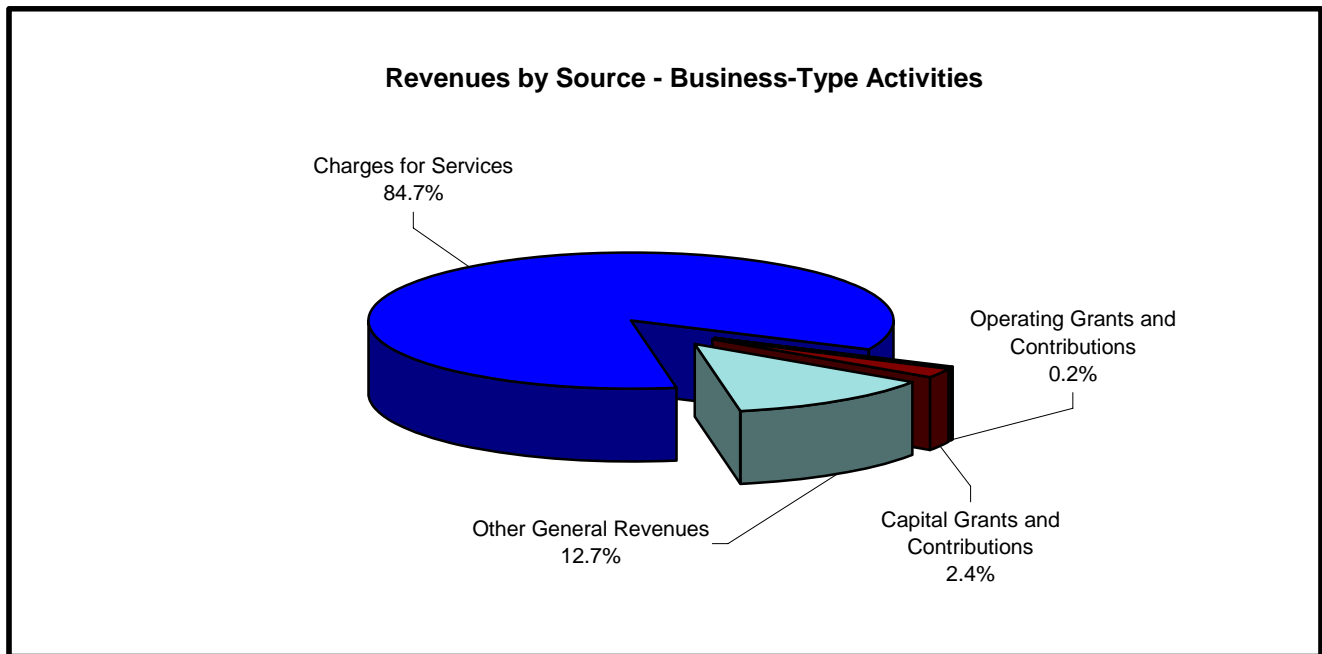


The chart below presents the percentage of total revenues by source for governmental activities:



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. Other General Revenues, Capital Grants and Contributions, as well as Operating 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.

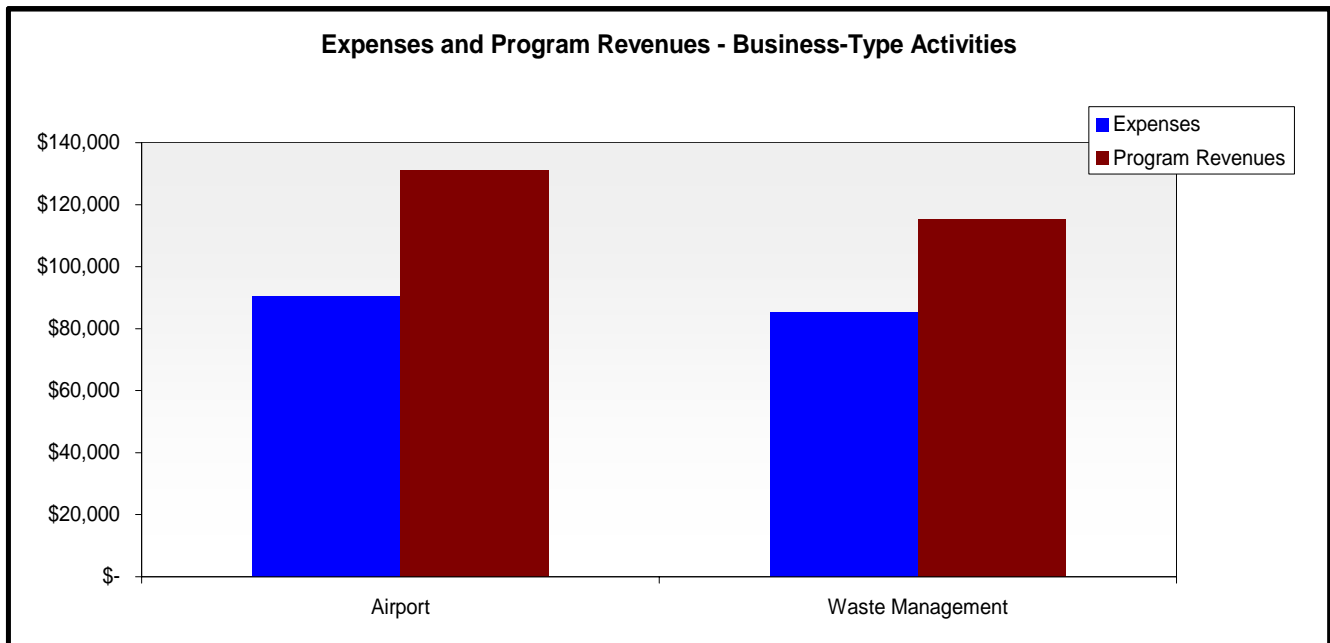


At the end of FY 2006-07, business-type activities reported total revenues of \$282,237, an increase of \$38,641 from the prior year. Expenses, including transfers to the governmental activities, totaled \$190,032, resulting in an increase of \$17,464 from the previous year. The program revenues (Charges for Services, Other General Revenues, Capital Grants and Contributions, and Operating 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 2006-07, there was an increase of \$92,205 in net assets, as there was a greater increase in revenues than expenses; comparatively, there was an increase of \$71,028 in FY 2005-06. While revenues and expenses both increased from the prior year, revenues still exceeded the expenses.

Beginning in FY 2006-07, the Airport implemented a passenger facility charge (PFC) program to finance its Airport Improvement Program. This resulted in the generation of \$20,999 in revenue, which was offset by a \$1,645 increase in expenses for professional services, including construction management, parking structure design, and terminal expansion design. Although the Airport experienced an increase of \$2,428 in employee salaries and benefits expenses, there was an increase of \$3,547 in interest revenue as a result of the higher cash balance due to the PFC revenue and the upward trend of interest rates.

Waste Management also experienced an \$8,043 increase in interest revenue due to greater cash balances and higher interest rates. Additionally, there was an increase in capital contributions of \$3,950. To offset the increase in revenues, Waste Management had an increase of \$6,135 in the estimated landfill closure and postclosure 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, 2007, the County's governmental funds reported total fund balances of \$2,098,063 which is an increase of \$199,662 in comparison with the prior year. Of the total fund balances for the governmental funds, \$1,382,928 (66%) 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	- District community priorities and projects, re-budgeted capital projects, information systems projects and upgrades, appropriations for market adjustments, and increases to reserves.
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, for accounting of revenues received and reserved for future incorporation agreements, mental health services, and operational contingencies.

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, 2007**

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2007	2006	2007	2006	2007	2006
General Fund	\$ 2,627,540	\$ 2,529,721	\$ 2,601,935	\$ 2,492,928	\$ 25,605	\$ 36,793
Roads	61,031	53,185	52,401	62,822	8,630	(9,637)
Public Library	45,242	35,476	43,045	32,709	2,197	2,767
Tobacco Settlement	29,973	28,708	29,894	32,378	79	(3,670)
Refunding Bonds and Recovery COPs & Debt Prepayment *	--	17,106	--	280,503	--	(263,397)
Flood Control District	139,729	83,926	111,116	63,441	28,613	20,485
Harbors, Beaches, and Parks	112,521	89,396	87,972	75,213	24,549	14,183
Other Public Protection	80,409	104,464	70,333	63,684	10,076	40,780
Other Governmental	511,554	815,809	411,641	704,655	99,913	111,154
Total	\$ 3,607,999	\$ 3,757,791	\$ 3,408,337	\$ 3,808,333	\$ 199,662	\$ (50,542)

* Fund was eliminated as a Major Governmental Fund in FY 2006-07.

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 2006-07, revenues exceeded expenditures, resulting in an increase in fund balance of \$25,605. Property tax revenues increased by \$39,048 as a result of continued growth in assessed property valuations and the elimination of the Educational Revenue Augmentation Funds (ERAF III) contribution to the State. An increase of \$41,868 for intergovernmental revenues is attributed to unanticipated Federal, State, and local grant revenues due to additional State reimbursements to the Registrar of Voters for the November 2006 General Election and several unplanned elections resulting from a vacancy occurring in the State Senate, as well as greater public assistance reimbursements through Federal and State funding. Transfers from other funds increased by \$45,982 due to transfers for reimbursement of Proposition 63 (Mental Health Services Act) and the Central Justice Center project expenditures, and revenues from the Public Safety Sales Tax. Salaries and benefits costs increased by \$45,474 for Public Protection and \$27,336 for Health and Sanitation.

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 2006-07, there was an increase in fund balance of \$8,630 compared to last year's decrease in fund balance of \$9,637. There was a \$7,177 increase in intergovernmental revenues due primarily to a one-time State construction grant and higher than anticipated Orange County Transportation Authority (OCTA) project revenue. Expenditures decreased by \$10,421 due to project delays associated with the Alton Parkway extension project and lower than anticipated costs for equipment and capital projects.

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 \$2,197 increase to fund balance this fiscal year. An increase of \$3,391 in licenses, permits, and franchises can be attributed to revenue from deposits made by developers to be used for library construction or improvements, an amount which can vary from year to year depending on the level of activity. A \$3,071 increase in transfers in for the library headquarters from the General Fund. Expenditures increased by \$1,457 due to purchases of books and other library materials, and by \$3,629 as a result of the purchase of the Library's headquarters and construction commenced on the Wheeler branch library.

Tobacco Settlement

This fund accounts for tobacco settlement monies allocated to the County from the State of California, pursuant to the Master Settlement Agreement between the major tobacco companies and 46 states (including California), the District of Columbia and four U.S. Territories. At the end of FY 2006-07, fund balance increased slightly by \$79, compared to a decrease the previous year of \$3,670, primarily due to an increase in revenues of \$1,319 from a supplemental payment by Philip Morris to the Master Settlement Agreement and the release of funds from a disputed payments account. There was also a decrease of \$2,498 for transfers out due to a decrease in the amount of claims for the Seniors and Persons with Disabilities, Tobacco Prevention and Control, Child and Family Health Services, and Public Safety programs.

Refunding Recovery Bonds and Recovery Certificates of Participation and Debt Prepayment

In FY 2005-06, this fund was used to account for the debt service transactions handled by the trustee bank for the 1995 Refunding Recovery Bonds and the 1996 Recovery Certificates of Participation, and for early debt reduction of the County's outstanding bonds. In FY 2005-06, this fund was closed due to the refunding and defeasance of both the 1995 Refunding Recovery Bonds and the 1996 Recovery Certificates of Participation.

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 2006-07, there was an increase in fund balance of \$28,613 compared to last year's increase in fund balance of \$20,485. An increase of \$20,585 in intergovernmental revenues can be attributed to the receipt of unanticipated subvention reimbursements from the State, as well as the receipt of other revenues which were higher than anticipated. In addition, a \$16,778 increase in other revenues is due to the receipt of the first installment from the sale of the Katella Yard property. A \$42,058 increase in expenditures for capital outlay is primarily due to the acquisition of the Green River Golf Club for the Santa Ana Mainstem Project, and construction contracts for the Peters Canyon Channel Under-crossings, the Fullerton Creek Channel, and the Los Alamitos Pump Station and Retarding Basin.

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 2006-07, there was a \$24,549 increase in fund balance. An increase of \$6,550 in property tax revenues is attributable to the increase in secured assessed property valuations. Intergovernmental revenues increased by \$7,384 due primarily to Proposition 12 (Park Bonds Act) and Proposition 40 (2002 Resources Bond) grants for the completion of capital projects; revenue for the Irvine Park Sewer Conversion project; and a one-time grant from the California Department of Boating and Waterways for the renovation of the Dana Point Harbor launch ramp facility. Expenditures for recreational and cultural services increased by \$5,515 due to increased consultant fees related to the Dana Point Harbor revitalization project and higher than anticipated indirect costs. A \$10,688 increase in capital outlay expenditures is due to the renovation of the Dana Point Harbor launch ramp facility, the O'Neill Sewer Conversion, the Santa Ana River Parkway, the relocation of Harbors, Beaches, and Parks' headquarters to Irvine Ranch Historical Park, the Laguna Niguel Narco Storm Channel restoration, and the Sunset Harbor Building Replacement projects.

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 2006-07, there was an increase in fund balance of \$10,076 compared to last year's increase in fund balance of \$40,780. There was a decrease of transfers in of excess Proposition 172 (Public Safety Sales Tax) revenues, resulting in a decrease of \$24,055 in revenues from the previous year. And expenditures also decreased by \$6,653 due primarily to fewer transfers of Proposition 172 revenues and Center for Disease Control (CDC) grant monies.

Other Governmental Funds

At the end of FY 2006-07, there was an increase in fund balance of \$99,913 compared to last year's increase in fund balance of \$111,154. An increase of \$36,104 for uses of money and property can be attributed to higher interest revenue, higher penalties and costs on delinquent taxes collected through the Teeter program, and increased rental payments from the County due to the addition of the Cogeneration Lease Revenue Bonds. Also, intergovernmental revenues increased \$36,898 as a result of realignment funding paid by the State and revenue from Proposition 63 (Mental Health Services). However, revenues were lower overall in comparison to the previous year due to the proceeds of \$419,756 from the Lease Revenue Refunding Bonds Series 2005 in FY 2005-06, and expenditures were lower overall due to payments of \$414,171 made in FY 2005-06 to Refunded Debt Escrow Agents for the 2005 Recovery Bonds.

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

COMPARATIVE FUND BALANCE				
Governmental Funds *				
June 30, 2007 and 2006				
	2007	2006	Increase (Decrease) %	
General Fund	\$ 383,740	\$ 358,135	7 %	
Roads	111,841	103,211	8 %	
Public Library	9,503	7,306	30 %	
Tobacco Settlement	6,074	5,995	1 %	
Flood Control District	255,259	226,646	13 %	
Harbors, Beaches, and Parks	88,706	64,157	38 %	
Other Public Protection	233,389	223,313	5 %	
Other Governmental Funds	1,009,551	909,638	11 %	
Total \$	2,098,063	\$ 1,898,401	11 %	

* 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, both of which are considered to be major funds of the County. Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Comparative Analysis of Changes in Fund Net Assets

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

ENTERPRISE FUNDS COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS For the Year Ended June 30, 2007						
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets	
	2007	2006	2007	2006	2007	2006
Airport	\$ 141,659	\$ 113,044	\$ 89,160	\$ 83,559	\$ 52,499	\$ 29,485
Waste Management	140,732	130,475	100,296	88,509	40,436	41,966
Total	\$ 282,391	\$ 243,519	\$ 189,456	\$ 172,068	\$ 92,935	\$ 71,451

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 \$29,485; this year the fund net assets increased by \$52,499 primarily because of the following factors:

- A \$3,547 increase in interest revenue due to the upward trend of interest rates.
- A \$4,052 increase in rents and concessions due to higher than anticipated revenue from parking and airline space rent and operations.
- A \$20,999 increase in revenue resulting from the newly imposed passenger facility charges.

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 2006-07, there was an increase in fund net assets of \$40,436, compared to the prior year increase of \$41,966, primarily due to the following factors:

- An \$8,991 increase in interest revenue due to the upward trend of interest rates.
- A \$3,950 increase in capital contributions.
- A \$1,551 decrease in professional and specialized service expenses for contracted legal services.
- Offsetting increased revenues, landfill closure and postclosure expenses increased \$6,923.

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

- An increase of \$12,122 is due to higher than anticipated revenue for the Registrar of Voters from the County's General Election, held on November 7, 2006, as well as from several other unplanned elections.
- An \$11,916 increase is due to revenues to the Sheriff-Coroner from numerous sources, including the State Homeland Security Grants, Solving Cold Cases with DNA grant, 2005 Coverdell Grant, 2005 Buffer Zone Protection Program Grant, 2006 Portable Evidential Breath Test Program, and the DNA Expansion Demonstration program. These revenues were used to provide training, hire personnel, purchase equipment, and develop strategies for various programs related to the prevention and response to terrorism and to programs dealing with the use of DNA to investigate and solve cases.
- A \$34,673 net increase in social service programs is a result of the following developments: First, a \$32,731 decrease is due to the actual caseloads and average grant per case being lower than projected for State-funded public assistance programs in the FY 2006-07 budget for CalWORKs Family Group/ Unemployed Parents. Also, a \$40,611 increase is due to an increase in the average cost per case for Federally-funded public assistance programs caused by a cost of living adjustment (COLA) and other State-imposed rate increases, an increase in Social Security benefits, and a decrease in the number of cases anticipated to be dropped, resulting in higher claims and more revenue than in the prior fiscal year. Lastly, a \$26,793 increase is due to deferred Federal and State revenue from the prior fiscal year and a net increase in State and Federal revenue allocations for Medi-Cal, Food Stamps, CalWORKs, Children and Family Services, and CalWIN, in order to restore contract reductions made to the FY 2006-07 budget and allow the agency to fill vacant and newly-created positions; an increase from Federal close-out revenue for increases in security, maintenance, and other services and supplies expenses; additional revenue from the Medi-Cal Outreach, Enrollment, Retention and Utilization allocation budgeted for outreach efforts to increase the number of children with health insurance coverage and a medical provider; and an increase in revenue from Medi-Cal and CalWORKs budgeted to be used for existing programs and positions.

Transfers In

- A decrease of \$16,281 is due to a slower startup of the Proposition 63 Mental Health Services Act program than originally budgeted, carryover of the Tobacco Settlement Revenue and Realignment Special Revenue Funds, and lower than budgeted Realignment growth.
- An increase of \$33,500 is due to the Cogeneration and the Central Utility Facility project. The bond proceeds were received and deposited for the Cogeneration project in the Orange County Public Financing Authority (OCPFA) Debt Service Fund; as the General Fund incurs project-related costs, it will be reimbursed by the Debt Service Fund.

Bonds Issuance Proceeds

- A \$208,574 increase is due to the authorization by the Board of Supervisors for the 2007 Pension Obligation Bonds.

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:

Capital Projects

- An increase of \$8,402 was appropriated primarily for expenditures related to various capital projects, which include the Cogeneration Plant at the Central Utilities Facility, deferred maintenance projects, a Homeless/Veterans Multi-Purpose Service Center, and the South County Courthouse.

Prepaid Pension Obligation

- A \$240,390 increase in appropriations to prepay the County's FY 2007-08 employer pension contribution to the Orange County Employees Retirement System (OCERS) at a discounted rate. See Note 9, Short-Term Obligations, for more information.

Registrar of Voters

- An increase of \$14,261 in appropriations for expenditures resulting from several unplanned elections and the County General Election, held on November 7, 2006.

Probation

- A \$6,071 increase in appropriations to: support training costs for correctional officers through the Standards and Training for Corrections Program; add limited-term positions through the Mentally Ill Offender Crime Reduction Program Grant for Juvenile Offenders; make increases in salary and benefits costs associated with the timing of negotiated increases, use of overtime, and a full year of funding of the Youth Leadership Academy; and support the Revised Orange County Comprehensive Multi-Agency Juvenile Justice Plan.

Sheriff-Coroner

- A \$14,739 increase in appropriations for: the addition of personnel in areas such as traffic enforcement, monitoring and analyzing local crime patterns, crime investigation, and providing security services; for functions including the equipping and training of emergency responders and developing protective measures for a potential terrorist threat or attack, improving telephone access to 911 emergency services, improving forensic science services and testing, and investigating DNA cases; and for the purchase of equipment needed in incidents of terrorism and weapons of mass destructions, to enhance the County's ability to prevent, deter, respond to, and recover from threats and incidents of terrorism, improve evidence screening and processing, and increase the efficiency in analyzing DNA samples and reduce the turn-around time for completing cases. In addition, appropriations were set aside for the purchase of various vehicles.

Social Services Agency

- An increase in appropriations of \$32,174 to add several positions for various programs including the Outreach, Enrollment, Retention, and Utilization program, Orangewood Children's Home, Medi-Cal, CalWORKs, CalWIN, Human Resource services, Non-Assistance Food Stamps, and foster care and adoption recruitment services; and to restore contract reductions related to the Medi-Cal, Food Stamps, CalWORKs, Children and Family Services, and CalWIN programs. Additional funds were allocated for outreach efforts to increase the number of children with health insurance coverage and a medical provider through a contract agreement with Public Health Foundation Enterprises, Inc., and to support existing programs and positions for the Medi-Cal and CalWORKs programs.

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:

Charges for Services

- A \$3,031 positive variance for the Assessor is due to strong sales, prices, and market activity in the Orange County Real Estate market during the 2006 calendar year.

- A \$4,571 negative variance in the Sheriff Department is primarily due to anticipated salary increases that did not take effect and credits given to contract partners for retirement rate reduction, vacancies, and workers' compensation vacancies.
- A \$4,354 negative variance for Sheriff Court Operations is due to vacancies billable to Court Security.
- An \$18,071 negative variance in Resources and Development Management Department (RDMD) is due primarily to lower reimbursable indirect charges and fewer direct billable hours.
- A \$2,377 positive variance in the County Miscellaneous Fund is a result of higher than anticipated reimbursements from the State SB90 Mandate Overhead Cost Reimbursement Program and the Countywide Cost Allocation Plan (CWCAP) overhead cost reimbursements.

Other Revenues

- A negative variance of \$6,063 for the Capital Acquisition Financing agency is due to the reclassification of 2002 Juvenile Justice Center debt service payments to transfers from other funds.

Transfers In

- A \$16,843 negative variance for the Health Care Agency is primarily due to a slower startup of the Proposition 63 Mental Health Services Act program than originally budgeted, carryover of the Tobacco Settlement Revenue and Realignment, lower than budgeted Realignment growth, and the timing of various grants and allocations that were expended and received.
- A negative variance of \$26,462 is from the Sheriff Department experiencing a higher vacancy factor than originally budgeted, resulting in a decreased need for transfer in from other public protection special revenue funds.
- A \$6,368 negative variance in the Social Services Agency is due to deferral of a transfer-in for the Wraparound database project until FY 2007-08; a budgeted transfer-in from the Facilities Development and Maintenance Fund being unnecessary; and realignment revenue that was received at a slightly lower rate than in FY 2005-06.
- A positive variance of \$3,554 in the County General Fund is due to the reclassification of interest earned from other governmental funds.
- A \$33,500 negative variance in the Capital Projects agency is from the bond proceeds deposited in the OCPFA Debt Service Fund not being transferred in because eligible costs did not occur as quickly as planned for the Cogeneration project.

Bond Issuance Proceeds

- A negative variance of \$28,935 in the Prepaid Pension Obligation fund due to the actual amount of the bond debt issuance costs were lower than estimated.

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 budgeted appropriations, which include prior year encumbrances:

Capital Projects

- A \$50,372 positive variance is primarily a result of actual expenditures being lower than budgeted due to the deferral of various capital projects until the next fiscal year.

Data Systems Development Projects

- A positive variance of \$8,088 is primarily due to the transfer of the Countywide Accounting and Personnel System (CAPS) budget to a different agency, the delay of several projects, and under spending in various Information Technology projects.

Miscellaneous

- A \$38,906 positive variance is mostly due to budgeted contingency appropriations which were not needed and a mid-year change in how retiree medical costs are treated.

Prepaid Pension Obligation

- A positive variance of \$31,599 is a result of the Board of Supervisors authorizing the 2007 Pension Obligation Bonds (POBs) for \$239,775; the actual amount of the debt requirement, including cost of issuance, was \$211,065.

Sheriff-Coroner

- A \$16,687 positive variance is due to higher vacancies for positions added during the fiscal year that were not completely filled, and savings from lower health insurance and liability insurance costs.
- A positive variance of \$19,174 is due to expenditures budgeted for Homeland Security Grants that were delayed and rebudgeted for FY 2007-08.
- A \$6,018 positive variance is due to the delay and rebudgeting of equipment purchases for Theo Lacy Jail and other divisions until the next fiscal year.

Resources and Development Management Department

- A positive \$21,301 variance is due to reductions and delays of services and supplies expenditures and more costs being reimbursed by other General Fund agencies than the amount budgeted.

Health Care Agency

- A positive variance of \$25,390 is primarily due to savings in group insurance rates and retroactive retirement payments, which were budgeted but are still pending, adjustments of expenditures to reflect reduced funding levels, and delays in the start-up of the Proposition 63 Mental Health Services Act program contracts.

Social Services Agency

- A \$20,612 positive variance is primarily due to negotiated salary increases occurring later in the year than anticipated, information technology appropriations for outside technical support being budgeted but not spent due to cost-saving measures and the use of in-house resources, and lower contractor and supportive service costs than budgeted as a result of reduced CalWORKs caseloads and partial implementation of new child care regulations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the County's capital assets for both the governmental and business-type activities amounted to \$2,867,748 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 0.2%.

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

CAPITAL ASSETS							
(Net of Depreciation)							
June 30, 2007							
	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	2007	2006	2007	2006	2007	2006	% Change
Land	\$ 606,166	\$ 575,715	\$ 38,058	\$ 34,108	\$ 644,224	\$ 609,823	5.6 %
Structures and Improvements	509,032	499,847	183,975	194,875	693,007	694,722	(0.2)%
Equipment	96,589	97,292	31,542	26,762	128,131	124,054	3.3 %
Infrastructure	837,805	805,760	214,264	209,221	1,052,069	1,014,981	3.7 %
Construction in Progress	316,627	395,319	33,690	35,848	350,317	431,167	(18.8)%
Total	\$ 2,366,219	\$ 2,373,933	\$ 501,529	\$ 500,814	\$ 2,867,748	\$ 2,874,747	(0.2)%

The following lists the significant expenditures for capital assets in FY 2006-07:

General Fund

- \$2,049 for the South County Courthouse design.
- \$2,574 for the seismic retrofitting of the Central Garage.
- \$4,225 for the Cogeneration Plant at the Central Utilities Facility.
- \$3,859 for the completion of heating, ventilation, and air conditioning (HVAC) and the Americans with Disabilities Act (ADA) improvements on the 7th floor of the Central Justice Center.
- \$1,059 for foundry network equipment for the Probation Department.

Flood Control District

- \$4,630 to start construction on the Peters Canyon Channel Trail Under-crossings project.
- \$23,788 for the purchase of land and buildings to house the Operations and Maintenance Division, replacing Katella Yard, which was sold to the City of Anaheim.
- \$20,104 for the acquisition of property in the flood plain or in the construction Right-of-Way of the Prado Dam Project.
- \$5,050 for the purchase of buildings at Green River Golf Course as part of the Santa Ana River Mainstem Project.

Harbors, Beaches and Parks

- \$2,333 for the refurbishment of the Dana Point Harbor launch ramp.
- \$1,072 for the completion of the Nix Nature Interpretive Center in Laguna Coast Wilderness Park.
- \$4,442 for the O'Neill Park Sewer Replacement project.
- \$1,104 for improvements on the Santa Ana River Parkway.
- \$1,098 for the relocation of Harbors, Beaches, and Parks' office headquarters to Irvine Ranch Historical Park.

Airport

- \$3,064 for gate expansion of the terminal building.
- \$6,445 for New South Remain Over Night (RON) parking

Waste Management

- \$9,261 for the purchase of two ejector articulated trucks, two hydraulic elevators, a wheel dozer with drag scraper, a trash tractor, and a Waste Disposal Arrangement (WDA) dozer.
- \$3,884 for the Brea Soil Removal Project.
- \$3,973 for the completion of Phase C2 Groundwater protection liner project at the Prima Deshecha 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 2006-07, significant commitments for capital expenditures included the following:

- \$301,400 for the Santa Ana River Mainstem Project.
- \$10,210 for the Cogeneration Plant at the Central Utilities Facility.
- \$14,045 for HVAC and ADA improvements at the Central Justice Center.
- \$8,959 to expand Laguna Canyon Road from State Route 73 to Interstate 405.
- \$21,707 for a pump and pump house on the Los Alamitos Pump Station and Retarding Basin.
- \$6,703 for construction on the Fullerton Creek Channel.
- \$26,145 for gate expansion of the terminal building for John Wayne Airport.
- \$27,856 for New South RON airplane parking for John Wayne Airport.

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

Long-Term Debt

At June 30, 2007, the County had a total long-term debt obligation outstanding of \$1,011,344, excluding capital lease obligations, compensated absences and other liabilities. During the year, \$93,840 of the bonds, including \$58,720 of bankruptcy related debt, were retired and \$32,700 was added, which resulted in a net decrease of 5% on the County's outstanding bond obligation. The County is limited by law in issuing general obligation bonded debt to 1.25 percent of the last equalized property tax roll. However, this does not affect the financing of any of the County's planned facilities or services because as of the end of the fiscal year, the County had no net general obligation bonded debt. The County's debt obligations are in the form of revenue bonds, certificates of participation, and other forms of debt not covered by the general obligation bonded debt limitation.

The following table summarizes the County's outstanding bonds at June 30, 2007:

LONG-TERM DEBT BOND OBLIGATIONS							
June 30, 2007							
	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Revenue Bonds	\$ 652,340	\$ 673,655	\$ 148,345	\$ 165,225	\$ 800,685	\$ 838,880	(5)%
Certificates of Participation	7,165	8,092	--	--	7,165	8,092	(11)%
Pension Obligation Bonds	89,891	99,714	--	--	89,891	99,714	(10)%
Recovery Bonds	119,436	131,631	--	--	119,436	131,631	(9)%
Add: Premium on Bonds Payable	35,408	34,112	2,740	3,422	38,148	37,534	2 %
Less: Deferred Amount on Refunding	(35,702)	(39,239)	(8,279)	(10,219)	(43,981)	(49,458)	(11)%
Total	\$ 868,538	\$ 907,965	\$ 142,806	\$ 158,428	\$ 1,011,344	\$ 1,066,393	(5)%

The following summarizes the County's long-term debt issuance during FY 2006-07:

Orange County Public Financing Authority (OCPFA) Lease Revenue Bonds, Series 2006 On October 19, 2006, the OCPFA issued its \$32,700 Lease Revenue Bonds, Series 2006 (Series 2006 Bonds) at a premium of \$2,140. The Lease Revenue Bonds were issued to (1) finance the construction of a Cogeneration conversion project at the County's Central Utility Facility, (2) fund a debt service reserve fund for the bonds, and (3) pay costs relating to the issuance of these bonds, including a premium for bond issuance.

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 received an upgrade from Standard & Poor's (S&P) in January 2007 from A+ to AA-. The 1995 Teeter Plan Revenue Bonds and the Orange County Development Agency (OCDA) 2003 Santa Ana Heights (SAH) Bonds are insured by Ambac Assurance Corporation. The bonds are rated AAA by Moody's, S&P, and Fitch Ratings based on the Ambac insurance. There are no underlying ratings for these bonds.

In FY 2006-07, the following changes occurred in the County's underlying debt ratings as compared to the previous year:

- Issued 2006 Lease Revenue Bonds with an A+ rating from S&P, A1 from Moody's and AA- from Fitch Ratings.
- Improved S&P Ratings from A to A+ for the 2005 Refunding Recovery Bonds.
- Improved S&P Ratings from A to A+ for the 2005 Lease Revenue Bonds.
- Improved S&P Ratings from A to A+ for the 2002 Lease Revenue Bonds.

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

LONG-TERM DEBT RATINGS			
June 30, 2007			
	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 Tax Allocation Refunding Bonds	A	A2	NR
2002 Lease Revenue Bonds	A+	A1	AA-
2006 Lease Revenue Bonds	A+	A1	AA-
OCDA 2003 SAH Tax Allocation Revenue 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	A1	A+

OTHER POTENTIALLY SIGNIFICANT MATTERS

The County's management 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 And Budget

The Governor signed the FY 2007-08 State budget on August 24, 2007. The \$145,000,000 total budget is nearly identical to the version approved by the Assembly in July 2007. The general fund portion is \$103,000,000 and there is a \$3,400,000 reserve. The budget also contains \$2,500,000 early debt repayment and includes a \$1,300,000 shift of public transit funds to other programs. The governor made \$700,000 in vetoes to balance the budget. Many of these were in health and human services programs. The largest single reduction was \$645,000 in the Medi-Cal reserve fund. This cut is not expected to affect actual services. County departments evaluated the impacts of the State budget on county services and addressed the budgetary impacts as part of the FY 2007-08 First Quarter Budget Report.

Summary State budget features are summarized below by County budget program. Amounts quoted are State-wide unless otherwise noted.

Public Safety

- The State budget contains a significant change in the juvenile justice system. As of September 2007, less-serious juvenile offenders who currently are sent to State facilities are being retained for custody at the local level. Counties have the option of taking back offenders currently housed by the State. The State would provide local probation departments with grants of \$117 per ward per year and receive a waiver of fees currently paid to the State. In addition, counties would receive some education funds under Proposition 98, which provides schools with a guaranteed funding source.
- The Governor vetoed juvenile justice planning grants and competitive grants.
- Allocates \$122,800 to the Comprehensive Sex Offender Management Plan.
- Increases funding for local governments by \$16,900 for various expenditures including housing and medical care for inmates, and increases the daily jail rate by \$5.60 to \$77.17 (in absolute dollars).
- Citizens Options for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) are funded at \$119,000 each.

- The Mentally Ill Offender Crime Reduction (MIOCR) Act is funded at \$29,700 to continue FY 2006-07 programs.
- \$10,000 is available to be shared between Alameda County and a large urban county for Probation pilot projects.
- Corrections reform (Assembly Bill 900) was signed by the Governor on May 3, 2007. It provides \$7,650,000 in bond proceeds and other funds for a two-phase plan to build 53,000 new jail beds including 13,000 County jail beds and 16,000 re-entry beds that would be placed in local communities. In addition, \$50,000 would be designated for rehabilitation, drug treatment and vocation education programs.

Health & Social Services

- The second half of FY 2006-07 costs for AB 3632, which provides mental health services to special education students, will be funded. Funding for FY 2007-08 costs is expected to be included in FY 2008-09. This would create a one-time Net County Cost of \$4,000.
- Medi-Cal is funded with an increase of \$2,300,000 reflecting increases in caseload and cost per eligible person. County grants for the Medi-Cal outreach, enrollment, retention and utilization program were cut. Funding for counties to implement a Medi-Cal self-certification pilot was cut.
- Healthy Families Program funding increased 8.9% due to a projected increase in enrollment.
- Proposition 36 (Substance Abuse & Crime Prevention Act-SACPA) funding is \$100,000, and funding for the Substance Abuse Offender Treatment Program (OTP) is \$20,000, for a combined total of \$120,000, which is a \$25,000 reduction from last year. The OTP requires an 11% County match.
- Early and periodic screening, diagnosis, and treatment (EPSDT) funding is increased based on cost and caseload increases. The EPSDT funding deficiency reimbursement for prior years' claims will be made over three years. The budget contains full funding for FY 2006-07 and the FY 2007-08 baseline.
- Proposition 63 (Mental Health Services Act) funding is expected to increase by \$495,700.
- All State funding (\$54,800) for AB 2034 (Integrated Services for Homeless Mentally Ill) adults was eliminated.
- Funding for local health department pandemic flu preparedness and response planning was cut.
- Realignment revenues are expected to grow by 4.8%. This is consistent with the County's Strategic Financial Plan assumption.
- CalWORKs funding is maintained for current level of service and administration. Program changes are proposed to save nearly \$450,000 including suspension of the July 1, 2007 Cost of Living Adjustment (COLA), increases sanctions on families that fail to comply with work requirements and no inflationary adjustments for County administration.
- County foster family home base rates will increase by 5% effective January 1, 2008.
- Transitional Housing Program funding increased by \$19,700 to fully fund counties with existing approved plans.
- CalWORKs Child Care will receive an \$88,300 increase based on estimated caseload growth.
- Adult Protective Services funding is \$88,300. The Governor deleted the augmentation of \$12,000.
- Child Welfare Services funding for Orange County will increase by \$3,200 (\$896 Net County Cost) and will require additional staff.
- Food Stamps funding for Orange County will increase due to caseload growth by \$1,100 (\$165 Net County Cost).
- State participation in In-Home Supportive Services (IHSS) wages and benefits increases from \$11.10 to \$12.10 per hour (in absolute dollars). IHSS administration funding in Orange County would increase 3.2% or \$145. Orange County caseloads are estimated to increase by 7.9%, faster than the State-wide estimate of 5.4%.
- The Governor's Health Care Reform proposal is not reflected in the budget proposal. The proposal could give counties a new responsibility of providing or coordinating health care for the estimated 750,000 undocumented medically indigent adults State-wide.

Child Support Services:

- The State will backfill the loss of federal matching incentives with \$23,000 in general funds to avert a \$67,600 reduction to the program.
- The State proposes level funding for local program expenditures. This may affect service levels as the increased cost of doing business is unfunded.
- Provides \$20,000 in federal funds to be matched by \$10,000 in county funds to support local staff and services.

Infrastructure & Environmental Resources

- Transportation funding (Propositions 42 and 1B): Proposition 42 (Transportation Congestion Improvement Act) was fully funded at \$1,500,000. Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security) allocates \$950,000 for local streets and roads. Clean up language is needed to reconcile the allocation of \$950,000 between counties and cities. Counties should receive between \$400,000 and \$475,000.
- Allows counties to compete for the \$300,000 infill incentive grant portion of Proposition 1C housing funds.
- Propositions 1-E (Disaster Preparedness and Flood Prevention Act) and Proposition 84 (Water Quality, Safety and Supply, Flood Control, Natural Resources Protection, Park Improvements) Bonds were approved by the voters in November 2006 to provide funding for the State's Flood Subvention reimbursement program. The State Flood Control Subvention funding of \$16,000 was reverted to the General Fund and could be restored from these bond funds. Orange County received \$15,400 of flood subvention funds in FY 2006-07. As of June 30, 2007, the amount of outstanding claims is expected to be \$83,674.

General Government

- Past claims for mandated cost reimbursements were scheduled to be paid over a 15 year period. Since two years worth of SB-90 mandated cost reimbursements were paid in FY 2006-07, no State payments to local government will be made in FY 2007-08.
- The Property Tax Administration grant continues to be suspended. The governor vetoed the one-time grant to assessors (\$3,500 State-wide allocated proportionately to each county) to assess "fractionally-owned" aircraft.
- Public Library Foundation and Direct/Interlibrary loan programs were reduced (\$290 reduction for Orange County).

Deterioration of the 2007-08 State Budget

In mid November of 2007 both the Governor and the State Legislative Analyst Office (LAO) announced that the state's fiscal outlook was dimming. A cumulative State budget shortfall of \$10 billion is projected by the LAO, \$1.9 billion in 2007-08 and \$8 billion in 2008-09. Continued softness in the state's economy, revenue reductions/delays, and court ordered payments were cited by the LAO as reasons for the fiscal outlook changes. No actions have been taken by the State which would impact County programs in 2007-08. County Departments have been requested to monitor State activities closely and try to anticipate any negative fiscal impacts on County programs. The Governor will be presenting a proposed 2008/09 state budget to the legislature in January of 2008, at which time the County will conduct an analysis of impacts to the County's programs and budgets for the next fiscal year.

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 \$5,200,000 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. The County has an action plan to upgrade its current financial application, which will reduce system support operations and maintenance costs and allow for growth for the next 15 years. The County is also looking for similar alternatives for the human resource application and has contracted with AgreeYa Solutions, Inc. to assist in the analysis of these alternatives. These alternatives will be documented and presented to the County by January 2008.

The Fit Analysis of the Financial Systems was conducted and completed in March 2007 at a cost of \$2,600 including County and contractor staffing. From this analysis, the County contracted with CGI, Inc. to assist in the implementation of the CGI Financial and Procurement software, Advantage 3.x. This project is in progress with a phase 1 implementation date of July 2009 and phase 2 by July 2011. The total estimated project cost is \$42,400 (Phase 1 - \$32,200, Phase 2 - \$10,200).

Phase 1 will implement the County's primary operational needs to support the following areas:

- Chart of Accounts
- General Accounting
- Fixed Assets
- Disbursements
- Cost Accounting
- eCommerce (commodities purchases)
- Contracts

Phase 2 implementation will provide:

- Accounts Receivable/Collections
- Vendor Self Service

The Board of Supervisors approved a contract with AgreeYa Solutions, Inc. to analyze the human resource and payroll functions in the context of industry best practices and solutions that would support them. This contract has been completed through phase one at a cost of \$250 including County and contractor staffing. A comprehensive vision related to the County's human resource and payroll operations has been developed and requirements have been documented to support the County's goals. The research and recommendations will be presented to the Board of Supervisors by January 2008. The estimated timeframe and the associated costs for a personnel system solution is estimated at \$20,000 to \$25,000 and will include both the fit analysis and implementation project spanning a two year period. This project should include similar objectives that were identified during the financial analysis:

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

Property Tax Management 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 current system was developed in the late 1980s and early 1990s in a programming language which is difficult to acquire knowledgeable staff to maintain. Under the Board of Supervisors' directions, a contract was awarded to Sierra Systems to perform the following:

- Document the current business rules
- Identify opportunities for improvement
- Envision a future operational model that includes:
 - Recommendation of environment
 - Strategies for implementation
 - Uses cases

This needs assessment was completed in July 2007 at a cost of \$1,500. The next phase was the development of a Request for Proposal which was released in August 2007 that will target the programming development of a replacement property tax management system based on the business processes documented during the needs assessment. Selection of a vendor is scheduled for completion by December 2007 with the contract being presented to the Board for approval in February 2008. The development and phased implementation of a replacement application is expected to take two to three years at an estimated cost of \$18,000 to \$25,000, including County and contractor staffing.

Teeter Plan Review

On June 29, 1993, the Board of Supervisors adopted the Teeter Plan pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code. The taxing agencies in Orange County which have agreed to participate in the Teeter Plan program annually receive the full amount of their share of taxes from the secured property tax roll, whether or not these taxes have been collected. The Teeter Plan provides these participating agencies with stable and timely cash flow without the collection risk, and the County receives the delinquency penalty amounts when the taxes are paid.

On June 27, 1995, the Orange County Special Financing Authority (Authority) issued the Taxable and Tax-exempt Teeter Plan Revenue Bonds, Series A through E totaling \$155,000. Revenues from the Teeter Plan pay the bond debt service as well as the Authority's annual purchase of unpaid secured property tax receivables from the County at a purchase price which does not exceed 100% of the property tax due excluding penalties.

Whenever there are insufficient Teeter Plan revenues for purchase of all of the receivables, the County is obligated to pay the amount of the shortfall since the County must pay the participating agencies 100% of the unpaid secured local tax amount. Annually in November, the Authority could transfer to the County General Fund any surplus Teeter Plan cash amount in excess of a 1.15 to 1 ratio of Teeter assets to total liabilities as long as the transfer amount does not exceed \$10,000.

Due to the higher delinquency of the current unpaid secured local roll experienced in FY 2006-07, the Board of Supervisors directed that a detailed review of the entire Teeter Plan program be undertaken. Pursuant to the Insurance Agreement with Ambac Assurance Corporation (Ambac) which insures the principal and interest payments of the Taxable and Tax-exempt Teeter Plan Revenue Bonds, Series A through E, the County must also advise Ambac in 2008 on its intent to gradually end the program (if at all) prior to the November 1, 2014 final bond maturity date. The review to be completed in 2008 will analyze options including, but not necessarily limited to, defeasance of existing debt, Teeter financing mechanisms, restructuring or termination of the Teeter Plan, or implementation of no change.

The following table summarizes the Teeter Participants' share of secured prior year penalties collected over the past three years that are transferred to the Authority:

Teeter Participants' Share of Secured PY Penalty Collections						
	2004-05		2005-06		2006-07	
County Funds	\$	869	\$	957	\$	1,083
Non-County Funds		1,168		1,189		1,516
Schools		4,348		4,718		5,538
Total	\$	6,385	\$	6,864	\$	8,137

These penalties, in addition to the collected delinquent secured taxes, are used to pay the Authority's Revenue Bonds, purchase unpaid secured property tax receivables, and transfer excess Teeter Plan cash to the County General Fund. Should the County elect to terminate the Teeter Plan, the Authority will no longer receive the Teeter participants' share of secured prior year penalty collection, and there would be no revenue to transfer cash to the General Fund. The following table lists the excess Teeter Plan transfer to the General Fund over the past three years:

Excess Teeter Plan Cash Transfer to General Fund						
	2004-05		2005-06		2006-07	
Transfer to County General Fund	\$	5,335	\$	8,647	\$	5,849

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



*Grand Staircase in the Old Orange County Courthouse
Illustrated by Sandra Heaton, County of Orange Resources and Development Management Department*



County of Orange
 Comprehensive Annual Financial Report
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	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Notes 1 and 3)	\$ 1,859,310	\$ 464,726	\$ 2,324,036	\$ 114,293
Restricted Cash and Cash Equivalents (Notes 1 and 3)	473,432	195,966	669,398	--
Investments (Notes 1 and 3)	30,570	21,496	52,066	49,284
Deposits In-Lieu of Cash	95	49,116	49,211	--
Internal Balances	17,222	(17,222)	--	--
Due from Component Unit (Note 6)	193	--	193	--
Prepaid Costs (Notes 1 and 17)	390,400	2,942	393,342	--
Inventory of Materials and Supplies (Note 1)	1,222	--	1,222	--
Land and Improvements Held for Resale (Note 1)	1,255	--	1,255	--
Receivables, Net of Allowances (Note 5)				
Accounts	15,189	18,495	33,684	7
Taxes	44,052	--	44,052	6,402
Interest/Dividends	14,336	4,760	19,096	1,468
Deposits	11,929	--	11,929	--
Loans	2,763	--	2,763	--
Due from Other Governmental Agencies (Note 5)	337,526	3,954	341,480	410
Notes Receivable (Note 5)	47,236	--	47,236	--
Capital Assets (Notes 1 and 4)				
Not Depreciated	922,793	71,748	994,541	--
Depreciable (Net)	1,443,426	429,781	1,873,207	8
Total Capital Assets	<u>2,366,219</u>	<u>501,529</u>	<u>2,867,748</u>	<u>8</u>
Total Assets	<u>5,612,949</u>	<u>1,245,762</u>	<u>6,858,711</u>	<u>171,872</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)

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
LIABILITIES				
Accounts Payable	\$ 77,095	\$ 11,339	\$ 88,434	\$ 11,613
Salaries and Employee Benefits Payable	42,151	876	43,027	48
Interest Payable	9,937	193	10,130	--
Deposits from Others	67,408	50,664	118,072	--
Due to Primary Government (Note 6)	--	--	--	193
Due to Other Governmental Agencies	47,403	1,910	49,313	8,273
Unearned Revenue	50,051	4,470	54,521	--
Estimated Liability - Litigation and Claims (Note 16)	8,572	--	8,572	--
Short-Term Bonds Payable (Note 9)	211,065	--	211,065	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 15)	44,881	--	44,881	--
Compensated Employee Absences Payable (Notes 1 and 10)	82,707	2,185	84,892	108
Capital Lease Obligations Payable (Notes 10 and 12)	4,964	--	4,964	--
Bonds Payable (Note 10)	82,184	16,733	98,917	--
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	1,711	1,711	--
Due in More than One Year				
Accreted Interest on Capital Accretion Bonds	110,564	--	110,564	--
Insurance Claims Payable (Notes 1 and 15)	102,729	--	102,729	--
Compensated Employee Absences Payable (Notes 1 and 10)	66,032	2,246	68,278	50
Arbitrage Rebate Payable (Note 10)	15	279	294	--
Capital Lease Obligations Payable (Notes 10 and 12)	88,569	--	88,569	--
Bonds Payable (Note 10)	786,354	126,073	912,427	--
Net Pension Obligation (Notes 10 and 17)	668	--	668	--
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	180,654	180,654	--
Total Liabilities	<u>1,883,349</u>	<u>399,333</u>	<u>2,282,682</u>	<u>20,285</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,273,891	359,544	2,633,435	8
Restricted for (Note 1):				
Expendable				
Capital Projects	247,277	--	247,277	--
Debt Service	155,918	--	155,918	--
Legally Segregated Special Revenue Funds Restricted for Grants and Other Purposes	916,563	--	916,563	--
Children and Families Commission of Orange County	--	--	--	151,579
Airport	--	194,038	194,038	--
Waste Management	--	292,847	292,847	--
Nonexpendable				
Regional Park Endowment	125	--	125	--
Unrestricted (Note 1)	135,826	--	135,826	--
Total Net Assets	<u>\$ 3,729,600</u>	<u>\$ 846,429</u>	<u>\$ 4,576,029</u>	<u>\$ 151,587</u>

County of Orange
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 For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				
	Net Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 330,422	\$ (48,683)	\$ 45,647	\$ 101,735	\$ --
Public Protection	1,025,465	30,128	283,215	479,131	54,377
Public Ways and Facilities	98,872	(2,096)	41,014	44,373	10,645
Health and Sanitation	518,914	8,627	85,305	374,401	--
Public Assistance	788,063	6,799	5,372	743,494	--
Education	31,979	743	4,743	2,149	--
Recreation and Cultural Services	77,518	2,761	39,028	14,604	4,318
Interest on Long-Term Debt	65,961	--	--	--	--
Total Governmental Activities	<u>2,937,194</u>	<u>(1,721)</u>	<u>504,324</u>	<u>1,759,887</u>	<u>69,340</u>
Business-Type Activities					
Airport	89,764	760	127,747	691	2,781
Waste Management	84,417	961	111,362	--	3,950
Total Business-Type Activities	<u>174,181</u>	<u>1,721</u>	<u>239,109</u>	<u>691</u>	<u>6,731</u>
Total Primary Government	<u>\$ 3,111,375</u>	<u>\$ --</u>	<u>\$ 743,433</u>	<u>\$ 1,760,578</u>	<u>\$ 76,071</u>
Component Unit					
Children and Families					
Commission of Orange County	<u>\$ 51,256</u>	<u>\$ --</u>	<u>\$ 30</u>	<u>\$ 42,313</u>	<u>\$ --</u>

General Revenues
 Taxes
 Property Taxes, Levied for General Fund
 Property Taxes, Levied for Flood Control District
 Property Taxes, Levied for Harbors, Beaches and Parks
 Property Taxes, Levied for Public Library
 Property Tax Increments
 Property Taxes in Lieu of Motor Vehicle License Fees
 Other Taxes
 Grants and Contributions Not Restricted to Specific Programs
 State Allocation of Motor Vehicle License Fees
 Unrestricted Investment Earnings
 Miscellaneous
 Gain on Sale of Capital Assets
 Transfers (Note 8)
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets - Beginning of Year
 Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government				Component Unit	Functions/Programs
Governmental Activities	Business-Type Activities	Total	Total		
\$ (134,357)	\$ --	\$ (134,357)			Primary Government
(238,870)	--	(238,870)			Governmental Activities
(744)	--	(744)			General Government
(67,835)	--	(67,835)			Public Protection
(45,996)	--	(45,996)			Public Ways and Facilities
(25,830)	--	(25,830)			Health and Sanitation
(22,329)	--	(22,329)			Public Assistance
(65,961)	--	(65,961)			Education
(601,922)	--	(601,922)			Recreation and Cultural Services
					Interest on Long-Term Debt
					Total Governmental Activities
	40,695	40,695			Business-Type Activities
	29,934	29,934			Airport
	70,629	70,629			Waste Management
	70,629	70,629			Total Business-Type Activities
(601,922)	70,629	(531,293)			Total Primary Government
				\$ (8,913)	Component Unit
					Children and Families
					Commission of Orange County
					General Revenues
					Taxes
283,112	--	283,112	--		Property Taxes, Levied for General Fund
63,209	--	63,209	--		Property Taxes, Levied for Flood Control District
46,965	--	46,965	--		Property Taxes, Levied for Harbors, Beaches and Parks
34,427	--	34,427	--		Property Taxes, Levied for Public Library
25,828	--	25,828	--		Property Tax Increments
206,933	--	206,933	--		Property Taxes in Lieu of Motor Vehicle License Fees
54,644	--	54,644	--		Other Taxes
1,917	--	1,917	--		Grants and Contributions Not Restricted to Specific Programs
58,487	--	58,487	--		State Allocation of Motor Vehicle License Fees
60,856	34,500	95,356	8,115		Unrestricted Investment Earnings
60,762	1,206	61,968	100		Miscellaneous
31,460	--	31,460	--		Gain on Sale of Capital Assets
14,130	(14,130)	--	--		Transfers (Note 8)
942,730	21,576	964,306	8,215		Total General Revenues and Transfers
340,808	92,205	433,013	(698)		Change in Net Assets
3,388,792	754,224	4,143,016	152,285		Net Assets - Beginning of Year
\$ 3,729,600	\$ 846,429	\$ 4,576,029	\$ 151,587		Net Assets - End of Year

County of Orange
 Comprehensive Annual Financial Report
 June 30, 2007

	General Fund	Roads	Public Library	Tobacco Settlement
ASSETS				
Pooled Cash/Investments (Notes 1 and 3)	\$ 289,631	\$ 160,399	\$ 10,589	\$ 12,892
Imprest Cash Funds (Note 3)	1,370	--	53	--
Restricted Cash and Investments with Trustee (Note 3)	1,536	--	--	--
Investments (Notes 1 and 3)	21,450	--	--	--
Deposits In-Lieu of Cash	--	--	--	--
Receivables (Note 5)				
Accounts	8,138	89	438	--
Taxes (Note 1)	11,480	--	1,377	--
Interest/Dividends	3,307	1,176	93	10
Deposits	4,283	947	3	--
Loans	30	--	--	--
Allowance for Uncollectible Receivables	(88)	(11)	--	--
Due from Other Funds (Note 6)	58,492	1,093	38	--
Due from Component Unit (Note 6)	191	--	--	--
Due from Other Governmental Agencies	276,936	7,102	1	--
Inventory of Materials and Supplies (Note 1)	380	75	--	--
Prepaid Costs (Note 1)	210,810	--	--	--
Land and Improvements Held for Resale (Note 1)	--	--	--	--
Notes Receivables	--	--	--	--
Total Assets	<u>\$ 887,946</u>	<u>\$ 170,870</u>	<u>\$ 12,592</u>	<u>\$ 12,902</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 50,785	\$ 2,772	\$ 818	\$ --
Salaries and Employee Benefits Payable	38,281	445	612	--
Interest Accretion on Bonds Payable (Note 9)	4,806	--	--	--
Deposits from Others	1,992	36,725	248	--
Due to Other Funds (Note 6)	18,556	2,351	94	6,828
Due to Other Governmental Agencies	30,462	943	213	--
Deferred Revenue (Note 1)	119,894	3,550	924	--
Unearned Revenue (Note 1)	28,365	12,243	180	--
Bonds Payable (Note 9)	211,065	--	--	--
Total Liabilities	<u>504,206</u>	<u>59,029</u>	<u>3,089</u>	<u>6,828</u>
Fund Balances				
Reserved for:				
Encumbrances	87,148	26,695	5,354	--
Long Term Receivables	--	--	--	--
Imprest Cash Funds	1,370	--	53	--
Inventory of Materials and Supplies	380	75	--	--
Loans	100	--	--	--
Prepaid Costs	3	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Debt Service	--	--	--	--
Unreserved, Designated for:				
Operations	1,614	--	250	--
Operations (Strategic Plan)	102,159	--	--	--
Capital Projects	36,256	--	--	--
Contingencies	39,000	--	2,017	--
Administration Fees	--	--	--	--
Equipment Purchase	--	--	--	--
Equipment Replacement	--	--	--	--
Land Purchase	--	--	--	--
Maintenance and Construction	--	--	8	--
Revitalization Projects	--	--	--	--
Future Road Projects	--	50,986	--	--
Cash Difference Funds	9	--	--	--
General Reserve	--	--	--	--
Unreserved, Undesignated for:				
General Fund	115,701	--	--	--
Special Revenue Funds	--	34,085	1,821	6,074
Debt Service Funds	--	--	--	--
Capital Projects Funds	--	--	--	--
Permanent Fund	--	--	--	--
Total Fund Balances	<u>383,740</u>	<u>111,841</u>	<u>9,503</u>	<u>6,074</u>
Total Liabilities and Fund Balances	<u>\$ 887,946</u>	<u>\$ 170,870</u>	<u>\$ 12,592</u>	<u>\$ 12,902</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
\$ 259,469	\$ 99,168	\$ 258,675	\$ 496,053	\$ 1,586,876
--	--	5	8	1,436
--	--	--	469,720	471,256
--	--	--	9,120	30,570
--	95	--	--	95
2,082	2,024	519	991	14,281
2,576	1,908	--	26,711	44,052
1,809	712	1,672	3,640	12,419
6,696	--	--	--	11,929
850	1,883	--	--	2,763
(9)	(6)	(4)	(3)	(121)
1,656	313	39	19,993	81,624
--	--	--	--	191
31,481	9,272	1,989	10,643	337,424
170	83	290	--	998
--	--	--	671	211,481
--	--	--	1,255	1,255
16,250	--	--	30,986	47,236
<u>\$ 323,030</u>	<u>\$ 115,452</u>	<u>\$ 263,185</u>	<u>\$ 1,069,788</u>	<u>\$ 2,855,765</u>

ASSETS

Pooled Cash/Investments (Notes 1 and 3)	
Imprest Cash Funds (Note 3)	
Restricted Cash and Investments with Trustee (Note 3)	
Investments (Notes 1 and 3)	
Deposits In-Lieu of Cash	
Receivables (Note 5)	
Accounts	
Taxes (Note 1)	
Interest/Dividends	
Deposits	
Loans	
Allowance for Uncollectible Receivables	
Due from Other Funds (Note 6)	
Due from Component Unit (Note 6)	
Due from Other Governmental Agencies	
Inventory of Materials and Supplies (Note 1)	
Prepaid Costs (Note 1)	
Land and Improvements Held for Resale (Note 1)	
Notes Receivables	
Total Assets	

LIABILITIES AND FUND BALANCES

\$ 3,504	\$ 4,782	\$ 1,314	\$ 3,983	\$ 67,958
448	490	254	1,229	41,759
--	--	--	--	4,806
7,265	7,691	12,265	1,222	67,408
3,981	4,307	11,875	29,852	77,844
2,767	105	3,213	7,984	45,687
48,689	7,915	332	9,820	191,124
1,117	1,456	543	6,147	50,051
--	--	--	--	211,065
<u>67,771</u>	<u>26,746</u>	<u>29,796</u>	<u>60,237</u>	<u>757,702</u>

Liabilities

Accounts Payable	
Salaries and Employee Benefits Payable	
Interest Accretion on Bonds Payable (Note 9)	
Deposits from Others	
Due to Other Funds (Note 6)	
Due to Other Governmental Agencies	
Deferred Revenue (Note 1)	
Unearned Revenue (Note 1)	
Bonds Payable (Note 9)	
Total Liabilities	

Fund Balances

Reserved for:

Encumbrances	
Long Term Receivables	
Imprest Cash Funds	
Inventory of Materials and Supplies	
Loans	
Prepaid Costs	
Land and Improvements Held for Resale	
Debt Service	

Unreserved, Designated for:

Operations	
Operations (Strategic Plan)	
Capital Projects	
Contingencies	
Administration Fees	
Equipment Purchase	
Equipment Replacement	
Land Purchase	
Maintenance and Construction	
Revitalization Projects	
Future Road Projects	
Cash Difference Funds	
General Reserve	

Unreserved, Undesignated for:

General Fund	
Special Revenue Funds	
Debt Service Funds	
Capital Projects Funds	
Permanent Fund	
Total Fund Balances	

41,395	13,845	2,559	15,052	192,048
--	--	--	48,298	48,298
--	--	5	8	1,436
170	83	290	--	998
850	1,883	--	--	2,833
--	--	--	671	674
--	--	--	1,255	1,255
--	--	--	467,593	467,593
--	11,520	35,647	29,283	78,314
--	--	--	--	102,159
69,777	4,566	--	--	110,599
--	--	--	22,846	63,863
--	--	--	8,988	8,988
--	--	--	957	957
484	--	--	--	484
21,567	--	--	--	21,567
--	--	--	--	8
--	252	--	3,294	3,546
--	--	--	--	50,986
--	--	--	--	9
12,609	4,000	--	19,069	35,678
--	--	--	--	115,701
108,407	52,557	194,888	148,046	545,878
--	--	--	17,456	17,456
--	--	--	226,723	226,723
--	--	--	12	12
<u>255,259</u>	<u>88,706</u>	<u>233,389</u>	<u>1,009,551</u>	<u>2,098,063</u>
<u>\$ 323,030</u>	<u>\$ 115,452</u>	<u>\$ 263,185</u>	<u>\$ 1,069,788</u>	<u>\$ 2,855,765</u>

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 \$1,631,537 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	\$	2,098,063
----------------------------------------	----	-----------

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	\$	606,166	
Structures and improvements		907,598	
Equipment		245,190	
Infrastructure		1,171,292	
Construction in Progress		315,231	
Accumulated depreciation		<u>(902,002)</u>	2,343,475

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

Prepaid costs	\$	172,705	
Unamortized bond issuance cost		<u>6,169</u>	178,874

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.

149,531

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.

180,593

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.

10,531

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 \$1,231,467 which consisted of the following:

Bonds and COPs payable, net	\$ (868,538)	
Compensated employee absences payable	(147,171)	
Capital lease obligations payable	(90,808)	
Arbitrage rebate payable	(15)	
Interest payable on bonds	(5,131)	
Interest accretion on capital appreciation bonds payable	(110,564)	
Estimated liability - litigation and claims	(8,572)	
Due to fiduciary fund for the County's net pension obligation for the Extra-Help Employees' Defined Benefit Retirement Plan	(668)	(1,231,467)
Net assets of governmental activities	\$	<u><u>3,729,600</u></u>

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	General Fund	Roads	Public Library	Tobacco Settlement
Revenues				
Taxes	\$ 505,562	\$ --	\$ 34,082	\$ --
Licenses, Permits, and Franchises	8,301	358	3,498	--
Fines, Forfeitures and Penalties	46,973	9	15	--
Use of Money and Property	22,434	8,089	568	411
Intergovernmental	1,416,768	39,237	1,947	--
Charges for Services	361,516	12,187	1,174	--
Other	30,674	1,151	358	29,556
Total Revenues	<u>2,392,228</u>	<u>61,031</u>	<u>41,642</u>	<u>29,967</u>
Expenditures				
Current				
General Government	173,329	--	--	8
Public Protection	921,270	--	--	--
Public Ways and Facilities	38,795	45,849	--	--
Health and Sanitation	515,690	--	--	--
Public Assistance	662,330	--	--	--
Education	--	--	35,904	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	29,483	6,552	2,794	--
Debt Service				
Principal Retirement	121,961	--	3,660	--
Interest	22,134	--	210	--
Debt Issuance Costs	263	--	--	--
Total Expenditures	<u>2,485,255</u>	<u>52,401</u>	<u>42,568</u>	<u>8</u>
Excess (Deficit) of Revenues Over Expenditures	(93,027)	8,630	(926)	29,959
Other Financing Sources (Uses)				
Transfers In (Note 8)	129,321	--	3,600	6
Transfers Out (Note 8)	(116,680)	--	(477)	(29,886)
Bonds Issued (Note 10)	--	--	--	--
Premium on Bonds Issued (Note 10)	--	--	--	--
Principal Payment on Demand Bonds	105,991	--	--	--
Total Other Financing Sources (Uses)	<u>118,632</u>	<u>--</u>	<u>3,123</u>	<u>(29,880)</u>
Net Change in Fund Balances	25,605	8,630	2,197	79
Fund Balances - Beginning of Year	358,135	103,211	7,306	5,995
Fund Balances - End of Year	<u>\$ 383,740</u>	<u>\$ 111,841</u>	<u>\$ 9,503</u>	<u>\$ 6,074</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	
\$ 62,563	\$ 46,487	\$ --	\$ 25,584	\$ 674,278	Revenues
741	370	9,141	880	23,289	Taxes
30	193	3,859	22,274	73,353	Licenses, Permits, and Franchises
16,209	36,822	16,831	63,678	165,042	Fines, Forfeitures and Penalties
27,884	9,686	33,735	193,694	1,722,951	Use of Money and Property
11,851	6,434	7,392	5,517	406,071	Intergovernmental
19,551	3,157	8,470	11,129	104,046	Charges for Services
<u>138,829</u>	<u>103,149</u>	<u>79,428</u>	<u>322,756</u>	<u>3,169,030</u>	Other
					Total Revenues
					Expenditures
					Current
--	--	--	31,248	204,585	General Government
54,357	--	30,095	15	1,005,737	Public Protection
--	--	--	6,039	90,683	Public Ways and Facilities
--	--	--	1,211	516,901	Health and Sanitation
--	--	--	125,996	788,326	Public Assistance
--	--	--	--	35,904	Education
--	73,110	--	276	73,386	Recreation and Cultural Services
56,686	14,062	4,587	40,209	154,373	Capital Outlay
--	--	--	65,391	191,012	Debt Service
49	--	--	36,193	58,586	Principal Retirement
--	--	--	536	799	Interest
<u>111,092</u>	<u>87,172</u>	<u>34,682</u>	<u>307,114</u>	<u>3,120,292</u>	Debt Issuance Costs
					Total Expenditures
27,737	15,977	44,746	15,642	48,738	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
900	9,372	981	153,958	298,138	Transfers In (Note 8)
(24)	(800)	(35,651)	(104,527)	(288,045)	Transfers Out (Note 8)
--	--	--	32,700	32,700	Bonds Issued (Note 10)
--	--	--	2,140	2,140	Premium on Bonds Issued (Note 10)
--	--	--	--	105,991	Principal Payment on Demand Bonds
<u>876</u>	<u>8,572</u>	<u>(34,670)</u>	<u>84,271</u>	<u>150,924</u>	Total Other Financing Sources (Uses)
					Net Change in Fund Balances
28,613	24,549	10,076	99,913	199,662	
<u>226,646</u>	<u>64,157</u>	<u>223,313</u>	<u>909,638</u>	<u>1,898,401</u>	Fund Balances - Beginning of Year
<u>\$ 255,259</u>	<u>\$ 88,706</u>	<u>\$ 233,389</u>	<u>\$ 1,009,551</u>	<u>\$ 2,098,063</u>	Fund Balances - End of Year

The Net Change in Fund Balances for governmental funds of \$199,662 in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$340,808 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	\$ 199,662
--------------------------------------------------------	------------

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. The details of the \$35,974 expenditures of capital outlay, capital contributions and gain on sale of capital assets are as follows:

Expenditures for capital outlay:		
Land	\$ 28,600	
Structures and improvements	75,420	
Equipment	16,758	
Infrastructure	9,078	
Capital assets disposition	(101,660)	
Depreciation expense	(60,089)	
Capital contributions	36,407	
Gain on the sale of capital assets	31,460	35,974

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 \$52,371 principal and other long-term liability payments and other financing sources are as follows:

Principal and other long-term liability payments:		
Bonds payable	\$ 76,960	
Capital lease obligations	8,067	
Arbitrage rebate payable	44	
Proceeds from issuance of bonds payable	(32,700)	52,371

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

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	\$	7,377	
Property tax revenues		<u>7,541</u>	14,918

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	\$	9,456	
Amortization of deferred charges		(3,250)	
Debt issuance costs / premium		(1,604)	
Compensated employee absences expense		(3,802)	
Pension costs and amortization of the County's investment account with OCERS		13,698	
Litigation and claims expense		(7,354)	
Interest accretion on capital appreciation bonds		<u>(11,898)</u>	(4,754)

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>42,637</u>
Change in net assets of governmental activities	\$	<u><u>340,808</u></u>

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	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 488,964	\$ --	\$ 488,964
Licenses, Permits, and Franchises		8,101	--	8,101
Fines, Forfeitures and Penalties		41,584	27	41,611
Use of Money and Property		18,149	7	18,156
Intergovernmental Revenues		1,367,743	65,781	1,433,524
Charges for Services		381,265	2,910	384,175
Other Revenues		296,658	433	297,091
Transfers In		187,152	31,751	218,903
Bond Issuance Proceeds		31,426	208,574	240,000
Total Revenues and Other Financing Sources		2,821,042	309,483	3,130,525
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Assessor	\$ 321	33,281	873	34,475
Auditor-Controller	1,266	15,199	1,275	17,740
Board of Supervisors - 1st District	--	809	29	838
Board of Supervisors - 2nd District	--	799	76	875
Board of Supervisors - 3rd District	--	772	77	849
Board of Supervisors - 4th District	1	768	27	796
Board of Supervisors - 5th District	--	811	29	840
Capital Acquisition Financing	--	7,135	--	7,135
Capital Projects	15,584	79,173	8,402	103,159
CAPS Program	--	15,369	3,389	18,758
Clerk of the Board	82	2,833	92	3,007
County Counsel	338	9,318	405	10,061
County Executive Office	1,147	17,965	1,018	20,130
Data Systems Development Project	1,654	13,120	2,380	17,154
Employee Benefits	25	2,651	(141)	2,535
Human Resources	177	3,769	316	4,262
Internal Audit	45	2,744	87	2,876
Miscellaneous	--	309,872	(5,817)	304,055
Prepaid Pension Obligation	--	--	240,390	240,390
Registrar of Voters	891	12,751	14,261	27,903
Treasurer-Tax Collector	140	15,275	83	15,498
Utilities	1,777	23,659	1,606	27,042
2005 Lease Revenue Refunding Bonds	--	71,249	2,999	74,248
2005 Refunding Recovery Bonds	--	18,428	--	18,428
Public Protection:				
Alternate Defense	--	10,411	299	10,710
Child Support Services	122	56,574	1,306	58,002
Clerk-Recorder	840	11,246	(875)	11,211
Detention Release	3	1,558	51	1,612
District Attorney	870	90,457	4,386	95,713
Emergency Management Division	15	1,457	351	1,823
Grand Jury	--	552	8	560
Juvenile Justice Commission	--	193	6	199
Probation	4,781	153,296	6,071	164,148
Public Administrator/Public Guardian	18	4,973	7	4,998
Public Defender	252	54,866	1,995	57,113
Sheriff-Coroner	8,707	447,456	14,739	470,902
Sheriff-Coroner Communications	460	10,196	169	10,825
Sheriff Court Operations	93	50,833	266	51,192
Trial Courts	332	70,625	(349)	70,608
Public Ways and Facilities:				
Resources and Development Management Department	2,364	59,996	1,358	63,718
Health and Sanitation:				
Health Care Agency	7,086	536,500	(10,934)	532,652
Watershed and Coastal Resources Division	809	22,983	(632)	23,160
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	1,263	112,754	--	114,017
Aid to Refugees	--	261	91	352
California Works Opportunities and Responsibility to Kids	--	96,485	9,146	105,631
Community Services Programs	110	15,143	191	15,444
General Relief	--	803	--	803
In-Home Supportive Services - IHSS	--	24,347	700	25,047
Social Services Agency	14,908	416,492	32,174	463,574
Total Expenditures/Encumbrances and Other Financing Uses	66,481	2,908,207	332,380	3,307,068
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(66,481)	(87,165)	(22,897)	(176,543)
Fund Balances - Beginning of Year	--	118,515	--	118,515
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	66,481	--	--	66,481
Provisions for Reserves and/or Designations	--	(31,350)	22,897	(8,453)
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --

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	Unspent
		June 30, 2007	Appropriations
\$ 505,562	\$ 16,598		
8,301	200		
46,973	5,362		
22,434	4,278		
1,416,768	(16,756)		
361,516	(22,659)		
275,515	(21,576)		
129,321	(89,582)		
<u>211,065</u>	<u>(28,935)</u>		
<u>2,977,455</u>	<u>(153,070)</u>		
32,076	2,399	\$ 764	\$ 1,635
16,098	1,642	1,173	469
759	79	11	68
866	9	--	9
823	26	--	26
790	6	--	6
766	74	1	73
6,561	574	--	574
22,078	81,081	30,709	50,372
15,673	3,085	366	2,719
2,886	121	43	78
7,907	2,154	172	1,982
15,234	4,896	1,589	3,307
6,154	11,000	2,912	8,088
2,115	420	32	388
3,480	782	204	578
2,429	447	62	385
265,150	38,905	--	38,905
208,791	31,599	--	31,599
25,666	2,237	648	1,589
14,339	1,159	584	575
23,262	3,780	1,650	2,130
74,214	34	--	34
18,428	--	--	--
10,710	--	--	--
55,717	2,285	128	2,157
8,887	2,324	1,150	1,174
1,430	182	--	182
88,888	6,825	1,653	5,172
1,294	529	35	494
535	25	1	24
172	27	--	27
158,872	5,276	4,246	1,030
4,954	44	42	2
54,394	2,719	494	2,225
422,492	48,410	11,879	36,531
10,280	545	276	269
46,903	4,289	66	4,223
69,951	657	275	382
39,646	24,072	2,771	21,301
503,329	29,323	3,933	25,390
16,125	7,035	668	6,367
109,589	4,428	895	3,533
288	64	--	64
101,157	4,474	--	4,474
14,755	689	209	480
667	136	--	136
24,794	253	--	253
<u>425,455</u>	<u>38,119</u>	<u>17,507</u>	<u>20,612</u>
<u>2,937,829</u>	<u>369,239</u>	<u>\$ 87,148</u>	<u>\$ 282,091</u>
39,626	<u>\$ 216,169</u>		
358,135			
(282,060)			
87,148			
180,891			
<u>\$ 383,740</u>			

Revenues and Other Financing Sources

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

Expenditures/Encumbrances and Other Financing Uses

General Government:
Assessor
Auditor-Controller
Board of Supervisors - 1st District
Board of Supervisors - 2nd District
Board of Supervisors - 3rd District
Board of Supervisors - 4th District
Board of Supervisors - 5th District
Capital Acquisition Financing
Capital Projects
CAPS Program
Clerk of the Board
County Counsel
County Executive Office
Data Systems Development Project
Employee Benefits
Human Resources
Internal Audit
Miscellaneous
Prepaid Pension Obligation
Registrar of Voters
Treasurer-Tax Collector
Utilities
2005 Lease Revenue Refunding Bonds
2005 Refunding Recovery Bonds
Public Protection:
Alternate Defense
Child Support Services
Clerk-Recorder
Detention Release
District Attorney
Emergency Management Division
Grand Jury
Juvenile Justice Commission
Probation
Public Administrator/Public Guardian
Public Defender
Sheriff-Coroner
Sheriff-Coroner Communications
Sheriff Court Operations
Trial Courts
Public Ways and Facilities:
Resources and Development Management Department
Health and Sanitation:
Health Care Agency
Watershed and Coastal Resources Division
Public Assistance:
Aid to Families with Dependent Children - Foster Care
Aid to Refugees
California Works Opportunities and Responsibility to Kids
Community Services Programs
General Relief
In-Home Supportive Services - IHSS
Social Services Agency
Total Expenditures/Encumbrances
and Other Financing Uses
Excess (Deficit) of Revenues
and Other Financing Sources
Over Expenditures/Encumbrances
and Other Financing Uses
Fund Balances - Beginning of Year
Cancellation of Reserves/Designations
Fund Balance Reserved for Encumbrances
Provisions for Reserves and/or Designations
Fund Balances - End of Year

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues				
Licenses, Permits, and Franchises		\$ 347	\$ --	\$ 347
Fines, Forfeitures and Penalties		19	--	19
Use of Money and Property		3,300	--	3,300
Intergovernmental Revenues		39,620	--	39,620
Charges for Services		25,694	--	25,694
Other Revenues		15,687	--	15,687
Total Revenues		<u>84,667</u>	<u>--</u>	<u>84,667</u>
Expenditures/Encumbrances				
Public Ways and Facilities:				
Roads	\$ 22,386	76,330	--	98,716
Foothill Circulation Phasing Plan	2,043	8,554	3,632	14,229
Total Expenditures/Encumbrances	<u>24,429</u>	<u>84,884</u>	<u>3,632</u>	<u>112,945</u>
Excess (Deficit) of Revenues				
Over Expenditures/Encumbrances	(24,429)	(217)	(3,632)	(28,278)
Fund Balances - Beginning of Year	--	7,983	--	7,983
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	24,429	--	--	24,429
Provisions for Reserves and/or Designations	--	(7,766)	3,632	(4,134)
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, 2007	Unspent Appropriations																																			
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="text-align: right;">358</td><td style="width: 10px;">\$</td><td style="text-align: right;">11</td></tr> <tr><td></td><td style="text-align: right;">9</td><td></td><td style="text-align: right;">(10)</td></tr> <tr><td></td><td style="text-align: right;">8,089</td><td></td><td style="text-align: right;">4,789</td></tr> <tr><td></td><td style="text-align: right;">39,237</td><td></td><td style="text-align: right;">(383)</td></tr> <tr><td></td><td style="text-align: right;">12,187</td><td></td><td style="text-align: right;">(13,507)</td></tr> <tr><td></td><td style="text-align: right;">1,151</td><td></td><td style="text-align: right;">(14,536)</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">61,031</td><td></td><td style="text-align: right; border-top: 1px solid black;">(23,636)</td></tr> </table>	\$	358	\$	11		9		(10)		8,089		4,789		39,237		(383)		12,187		(13,507)		1,151		(14,536)		61,031		(23,636)				<p>Revenues</p> <ul style="list-style-type: none"> Licenses, Permits, and Franchises Fines, Forfeitures and Penalties Use of Money and Property Intergovernmental Revenues Charges for Services Other Revenues <li style="padding-left: 20px;">Total Revenues 						
\$	358	\$	11																																			
	9		(10)																																			
	8,089		4,789																																			
	39,237		(383)																																			
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	61,031		(23,636)																																			
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="text-align: right;">51,986</td><td style="width: 10px;">\$</td><td style="text-align: right;">24,754</td><td style="width: 10px;">\$</td><td style="text-align: right;">21,976</td></tr> <tr><td></td><td style="text-align: right;">415</td><td></td><td style="text-align: right;">1,941</td><td></td><td style="text-align: right;">11,873</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">52,401</td><td></td><td style="text-align: right; border-top: 1px solid black;">\$ 26,695</td><td></td><td style="text-align: right; border-top: 1px solid black;">\$ 33,849</td></tr> </table>		51,986	\$	24,754	\$	21,976		415		1,941		11,873		52,401		\$ 26,695		\$ 33,849	<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="text-align: right;">46,730</td><td style="width: 10px;">\$</td><td style="text-align: right;">24,754</td><td style="width: 10px;">\$</td><td style="text-align: right;">21,976</td></tr> <tr><td></td><td style="text-align: right;">13,814</td><td></td><td style="text-align: right;">1,941</td><td></td><td style="text-align: right;">11,873</td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">60,544</td><td></td><td style="text-align: right; border-top: 1px solid black;">\$ 26,695</td><td></td><td style="text-align: right; border-top: 1px solid black;">\$ 33,849</td></tr> </table>		46,730	\$	24,754	\$	21,976		13,814		1,941		11,873		60,544		\$ 26,695		\$ 33,849	<p>Expenditures/Encumbrances</p> <ul style="list-style-type: none"> Public Ways and Facilities: <ul style="list-style-type: none"> Roads Foothill Circulation Phasing Plan Total Expenditures/Encumbrances Excess (Deficit) of Revenues Over Expenditures/Encumbrances
	51,986	\$	24,754	\$	21,976																																	
	415		1,941		11,873																																	
	52,401		\$ 26,695		\$ 33,849																																	
	46,730	\$	24,754	\$	21,976																																	
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	60,544		\$ 26,695		\$ 33,849																																	
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="text-align: right;">8,630</td><td style="width: 10px;">\$</td><td style="text-align: right;">36,908</td></tr> </table>		8,630	\$	36,908				<ul style="list-style-type: none"> Fund Balances - Beginning of Year Cancellation of Reserves/Designations Fund Balance Reserved for Encumbrances Provisions for Reserves and/or Designations Fund Balances - End of Year 																														
	8,630	\$	36,908																																			
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="text-align: right;">103,211</td><td></td><td></td></tr> <tr><td></td><td style="text-align: right;">(77,756)</td><td></td><td></td></tr> <tr><td></td><td style="text-align: right;">26,695</td><td></td><td></td></tr> <tr><td></td><td style="text-align: right;">51,061</td><td></td><td></td></tr> <tr><td></td><td style="text-align: right; border-top: 1px solid black;">\$ 111,841</td><td></td><td></td></tr> </table>		103,211				(77,756)				26,695				51,061				\$ 111,841																				
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	(77,756)																																					
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	51,061																																					
	\$ 111,841																																					

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 33,159	\$ 798	\$ 33,957
Licenses, Permits, and Franchises		3,209	359	3,568
Fines, Forfeitures and Penalties		7	--	7
Use of Money and Property		225	105	330
Intergovernmental Revenues		1,428	307	1,735
Charges for Services		1,238	10	1,248
Other Revenues		317	120	437
Transfers In		5,000	263	5,263
Total Revenues and Other Financing Sources		<u>44,583</u>	<u>1,962</u>	<u>46,545</u>
Expenditures/Encumbrances				
Education:				
Public Library - Capital	\$ 289	10,190	478	10,957
Public Library	867	36,993	2,416	40,276
Total Expenditures/Encumbrances	<u>1,156</u>	<u>47,183</u>	<u>2,894</u>	<u>51,233</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances	(1,156)	(2,600)	(932)	(4,688)
Fund Balances - Beginning of Year	--	2,850	--	2,850
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	1,156	--	--	1,156
Provisions for Reserves and/or Designations	--	(250)	932	682
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, 2007	Unspent Appropriations																																					
<table border="0" style="width: 100%;"> <tr><td style="width: 5%;">\$</td><td style="width: 20%;">34,082</td><td style="width: 5%;">\$</td><td style="width: 10%;">125</td></tr> <tr><td></td><td>3,498</td><td></td><td>(70)</td></tr> <tr><td></td><td>15</td><td></td><td>8</td></tr> <tr><td></td><td>568</td><td></td><td>238</td></tr> <tr><td></td><td>1,947</td><td></td><td>212</td></tr> <tr><td></td><td>1,174</td><td></td><td>(74)</td></tr> <tr><td></td><td>358</td><td></td><td>(79)</td></tr> <tr><td></td><td>3,600</td><td></td><td>(1,663)</td></tr> <tr><td></td><td><u>45,242</u></td><td></td><td><u>(1,303)</u></td></tr> </table>	\$	34,082	\$	125		3,498		(70)		15		8		568		238		1,947		212		1,174		(74)		358		(79)		3,600		(1,663)		<u>45,242</u>		<u>(1,303)</u>				<p>Revenues and Other Financing Sources</p> <ul style="list-style-type: none"> Taxes Licenses, Permits, and Franchises Fines, Forfeitures and Penalties Use of Money and Property Intergovernmental Revenues Charges for Services Other Revenues Transfers In <li style="padding-left: 20px;">Total Revenues and Other Financing Sources
\$	34,082	\$	125																																					
	3,498		(70)																																					
	15		8																																					
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<table border="0" style="width: 100%;"> <tr><td style="width: 5%;"></td><td style="width: 20%;">6,181</td><td style="width: 5%;">4,776</td><td style="width: 10%;">\$ 4,389</td><td style="width: 10%;">\$ 387</td></tr> <tr><td></td><td>36,864</td><td>3,412</td><td>965</td><td>2,447</td></tr> <tr><td></td><td><u>43,045</u></td><td><u>8,188</u></td><td><u>\$ 5,354</u></td><td><u>\$ 2,834</u></td></tr> </table>		6,181	4,776	\$ 4,389	\$ 387		36,864	3,412	965	2,447		<u>43,045</u>	<u>8,188</u>	<u>\$ 5,354</u>	<u>\$ 2,834</u>				<p>Expenditures/Encumbrances</p> <ul style="list-style-type: none"> Education: <ul style="list-style-type: none"> Public Library - Capital Public Library Total Expenditures/Encumbrances Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances 																					
	6,181	4,776	\$ 4,389	\$ 387																																				
	36,864	3,412	965	2,447																																				
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<table border="0" style="width: 100%;"> <tr><td style="width: 5%;"></td><td style="width: 20%;">2,197</td><td style="width: 5%;">\$ 6,885</td><td></td><td></td></tr> <tr><td></td><td>7,306</td><td></td><td></td><td></td></tr> <tr><td></td><td>(7,682)</td><td></td><td></td><td></td></tr> <tr><td></td><td>5,354</td><td></td><td></td><td></td></tr> <tr><td></td><td>2,328</td><td></td><td></td><td></td></tr> <tr><td></td><td><u>\$ 9,503</u></td><td></td><td></td><td></td></tr> </table>		2,197	\$ 6,885				7,306					(7,682)					5,354					2,328					<u>\$ 9,503</u>							<ul style="list-style-type: none"> Fund Balances - Beginning of Year Cancellation of Reserves/Designations Fund Balance Reserved for Encumbrances Provisions for Reserves and/or Designations Fund Balances - End of Year 						
	2,197	\$ 6,885																																						
	7,306																																							
	(7,682)																																							
	5,354																																							
	2,328																																							
	<u>\$ 9,503</u>																																							

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Use of Money and Property		\$ 50	\$ --	\$ 50
Other Revenues		31,574	(3,060)	28,514
Transfers In		--	--	--
Total Revenues and Other Financing Sources		<u>31,624</u>	<u>(3,060)</u>	<u>28,564</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Orange County Tobacco Settlement Fund	\$ --	38,432	(5,319)	33,113
Tobacco Settlement Funds	--	1,384	68	1,452
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>39,816</u>	<u>(5,251)</u>	<u>34,565</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(8,192)	2,191	(6,001)
Fund Balances - Beginning of Year	--	8,192	--	8,192
Cancellation of Reserves/Designations	--	--	(2,191)	(2,191)
Fund Balances - End of Year	\$ --	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement
Tobacco Settlement
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2007	Unspent Appropriations
\$ 411	\$ 361		
29,556	1,042		
6	6		
<u>29,973</u>	<u>1,409</u>		
29,731	3,382	\$ --	\$ 3,382
163	1,289	--	1,289
<u>29,894</u>	<u>4,671</u>	<u>\$ --</u>	<u>\$ 4,671</u>
79	<u>\$ 6,080</u>		
5,995			
--			
<u>\$ 6,074</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
 For the Year Ended June 30, 2007

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 52,158	\$ --	\$ 52,158
Licenses, Permits, and Franchises		170	--	170
Fines, Forfeitures and Penalties		7	--	7
Use of Money and Property		7,164	--	7,164
Intergovernmental Revenues		7,406	--	7,406
Charges for Services		7,441	--	7,441
Other Revenues		3,806	--	3,806
Transfers In		--	900	900
Total Revenues and Other Financing Sources		78,152	900	79,052
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Flood Control District	\$ 29,142	83,740	9,552	122,434
Santa Ana River Environmental Enhancement	--	12	223	235
Flood Control District - Capital	25,144	45,047	8,665	78,856
Total Expenditures/Encumbrances and Other Financing Uses	54,286	128,799	18,440	201,525
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(54,286)	(50,647)	(17,540)	(122,473)
Fund Balances - Beginning of Year	--	46,662	--	46,662
Cancellation of Reserves/Designations	--	20,257	--	20,257
Fund Balance Reserved for Encumbrances	54,286	--	--	54,286
Provisions for Reserves and/or Designations	--	(16,272)	17,540	1,268
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, 2007	Unspent Appropriations																																					
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="width: 100px;">62,563</td><td style="width: 10px;">\$</td><td style="width: 100px;">10,405</td></tr> <tr><td></td><td>741</td><td></td><td>571</td></tr> <tr><td></td><td>30</td><td></td><td>23</td></tr> <tr><td></td><td>16,209</td><td></td><td>9,045</td></tr> <tr><td></td><td>27,884</td><td></td><td>20,478</td></tr> <tr><td></td><td>11,851</td><td></td><td>4,410</td></tr> <tr><td></td><td>19,551</td><td></td><td>15,745</td></tr> <tr><td></td><td>900</td><td></td><td>--</td></tr> <tr><td></td><td style="border-top: 1px solid black;">139,729</td><td></td><td style="border-top: 1px solid black;">60,677</td></tr> </table>	\$	62,563	\$	10,405		741		571		30		23		16,209		9,045		27,884		20,478		11,851		4,410		19,551		15,745		900		--		139,729		60,677				<p>Revenues and Other Financing Sources</p> <ul style="list-style-type: none"> Taxes Licenses, Permits, and Franchises Fines, Forfeitures and Penalties Use of Money and Property Intergovernmental Revenues Charges for Services Other Revenues Transfers In <li style="padding-left: 20px;">Total Revenues and Other Financing Sources
\$	62,563	\$	10,405																																					
	741		571																																					
	30		23																																					
	16,209		9,045																																					
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<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">72,700</td><td style="width: 10px;">\$</td><td style="width: 100px;">36,641</td><td style="width: 10px;">\$</td><td style="width: 100px;">13,093</td></tr> <tr><td></td><td>199</td><td></td><td>--</td><td></td><td>36</td></tr> <tr><td></td><td style="border-top: 1px solid black;">38,217</td><td></td><td style="border-top: 1px solid black;">4,754</td><td></td><td style="border-top: 1px solid black;">35,885</td></tr> <tr><td></td><td style="border-top: 1px solid black;">111,116</td><td style="border-top: 1px solid black;">\$</td><td style="border-top: 1px solid black;">41,395</td><td style="border-top: 1px solid black;">\$</td><td style="border-top: 1px solid black;">49,014</td></tr> </table>		72,700	\$	36,641	\$	13,093		199		--		36		38,217		4,754		35,885		111,116	\$	41,395	\$	49,014				<p>Expenditures/Encumbrances and Other Financing Uses</p> <ul style="list-style-type: none"> Public Protection: <ul style="list-style-type: none"> Flood Control District Santa Ana River Environmental Enhancement Flood Control District - Capital Total Expenditures/Encumbrances and Other Financing Uses Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses Fund Balances - Beginning of Year Cancellation of Reserves/Designations Fund Balance Reserved for Encumbrances Provisions for Reserves and/or Designations Fund Balances - End of Year 												
	72,700	\$	36,641	\$	13,093																																			
	199		--		36																																			
	38,217		4,754		35,885																																			
	111,116	\$	41,395	\$	49,014																																			
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="width: 100px;">28,613</td><td style="width: 10px;">\$</td><td style="width: 100px;">151,086</td></tr> <tr><td></td><td>226,646</td><td></td><td></td></tr> <tr><td></td><td>(146,852)</td><td></td><td></td></tr> <tr><td></td><td>41,395</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">105,457</td><td></td><td></td></tr> <tr><td></td><td style="border-top: 1px solid black;">\$ 255,259</td><td></td><td></td></tr> </table>		28,613	\$	151,086		226,646				(146,852)				41,395				105,457				\$ 255,259																		
	28,613	\$	151,086																																					
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	105,457																																							
	\$ 255,259																																							

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 45,584	\$ --	\$ 45,584
Licenses, Permits, and Franchises		276	--	276
Fines, Forfeitures and Penalties		153	--	153
Use of Money and Property		33,233	--	33,233
Intergovernmental Revenues		20,902	782	21,684
Charges for Services		6,661	--	6,661
Other Revenues		69,512	(65,000)	4,512
Transfers In		29,065	549	29,614
Total Revenues and Other Financing Sources		<u>205,386</u>	<u>(63,669)</u>	<u>141,717</u>
Expenditures/Encumbrances and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	\$ 457	7,486	517	8,460
Dana Point Tidelands	3,834	100,681	(63,845)	40,670
Harbors, Beaches, and Parks	6,824	80,935	1,383	89,142
Harbors, Beaches, and Parks Capital	5,897	40,066	1,898	47,861
Dana Point DBW Loan Reserve	--	547	363	910
Total Expenditures/Encumbrances and Other Financing Uses	<u>17,012</u>	<u>229,715</u>	<u>(59,684)</u>	<u>187,043</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(17,012)	(24,329)	(3,985)	(45,326)
Fund Balances - Beginning of Year	--	24,137	--	24,137
Cancellation of Reserves/Designations	--	6,896	--	6,896
Fund Balance Reserved for Encumbrances	17,012	--	--	17,012
Provisions for Reserves and/or Designations	--	(6,704)	3,985	(2,719)
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, 2007	Unspent Appropriations	
\$ 46,487	\$ 903			Revenues and Other Financing Sources
370	94			Taxes
193	40			Licenses, Permits, and Franchises
36,822	3,589			Fines, Forfeitures and Penalties
9,686	(11,998)			Use of Money and Property
6,434	(227)			Intergovernmental Revenues
3,157	(1,355)			Charges for Services
9,372	(20,242)			Other Revenues
<u>112,521</u>	<u>(29,196)</u>			Transfers In
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				Recreation and Cultural Services:
2,932	5,528	\$ 289	\$ 5,239	County Tidelands - Newport Bay
20,693	19,977	3,725	16,252	Dana Point Tidelands
52,910	36,232	4,787	31,445	Harbors, Beaches, and Parks
11,437	36,424	5,044	31,380	Harbors, Beaches, and Parks Capital
--	910	--	910	Dana Point DBW Loan Reserve
<u>87,972</u>	<u>99,071</u>	<u>\$ 13,845</u>	<u>\$ 85,226</u>	Total Expenditures/Encumbrances and Other Financing Uses
				Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses
24,549	<u>\$ 69,875</u>			
64,157				Fund Balances - Beginning of Year
(36,149)				Cancellation of Reserves/Designations
13,845				Fund Balance Reserved for Encumbrances
22,304				Provisions for Reserves and/or Designations
<u>\$ 88,706</u>				Fund Balances - End of Year

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises		\$ 8,032	\$ (310)	\$ 7,722
Fines, Forfeitures and Penalties		2,850	--	2,850
Use of Money and Property		6,943	510	7,453
Intergovernmental Revenues		20,139	3,500	23,639
Charges for Services		8,403	--	8,403
Other Revenues		9,060	--	9,060
Transfers In		15,471	496	15,967
Total Revenues and Other Financing Sources		<u>70,898</u>	<u>4,196</u>	<u>75,094</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	\$ --	760	105	865
County Automated Fingerprint Identification	15	951	(2)	964
Building and Safety	399	9,518	312	10,229
Narcotic Forfeiture and Seizure Sheriff-Regional Narcotics Suppression Program	5	442	763	1,210
Motor Vehicle Theft Task Force	47	7,027	(80)	6,994
Clerk Recorder Special Revenue	3	3,196	(39)	3,160
Proposition 64 - Consumer Protection	--	4,026	--	4,026
Proposition 69 - DNA Identification	--	774	51	825
Traffic Violator	--	730	174	904
Childrens' Waiting Room	--	1,877	262	2,139
Sheriff Narcotics Program	--	642	149	791
Orange County Jail	20	1,888	87	1,995
Sheriff's State Criminal Alien Assistance Program	--	2,210	277	2,487
Substance Abuse/Crime Prevention	--	14,051	2,408	16,459
County Public Safety Sales Tax Excess Revenues	--	7,975	1,158	9,133
California Automated Fingerprint Identification Operational Costs	--	81,340	24,131	105,471
California Automated Fingerprint Identification Systems Costs	--	1,038	180	1,218
Sheriff's Supplemental Law Enforcement Services	4	15,693	(63)	15,634
District Attorney's Supplemental Law Enforcement Services	--	1,032	1,159	2,191
Sheriff-Coroner Replacement and Maintenance	--	922	161	1,083
Ward Welfare	--	19,515	495	20,010
Court Facilities	--	109	4	113
Sheriff's Substations Fee Program	447	3,565	38	4,050
Jail Commissary	--	7,421	3	7,424
Inmate Welfare	11	8,488	(610)	7,889
Child Support Program Development	92	10,656	2,340	13,088
800 MHz County-Wide Coordinated Communications System	--	4,697	1,435	6,132
Delta Special Revenue	302	7,311	3,415	11,028
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>70</u>	<u>16</u>	<u>86</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	1,345	<u>217,924</u>	<u>38,329</u>	<u>257,598</u>
	(1,345)	(147,026)	(34,133)	(182,504)
Fund Balances - Beginning of Year	--	150,364	--	150,364
Cancellation of Reserves/Designations	--	--	--	--
Fund Balance Reserved for Encumbrances	1,345	--	--	1,345
Provisions for Reserves and/or Designations	--	(3,338)	34,133	30,795
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --

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, 2007	Unspent Appropriations	
\$ 9,141	\$ 1,419			Revenues and Other Financing Sources
3,839	989			Licenses, Permits, and Franchises
16,555	9,102			Fines, Forfeitures and Penalties
33,735	10,096			Use of Money and Property
7,392	(1,011)			Intergovernmental Revenues
8,470	(590)			Charges for Services
865	(15,102)			Other Revenues
79,997	4,903			Transfers In
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				Public Protection:
				Orange County Methamphetamine Lab
816	49	\$ --	\$ 49	Investigation Team
				County Automated Fingerprint
738	226	4	222	Identification
9,138	1,091	564	527	Building and Safety
499	711	200	511	Narcotic Forfeiture and Seizure
				Sheriff-Regional Narcotics
4,109	2,885	69	2,816	Suppression Program
2,594	566	14	552	Motor Vehicle Theft Task Force
3,468	558	--	558	Clerk Recorder Special Revenue
2	823	--	823	Proposition 64 - Consumer Protection
564	340	--	340	Proposition 69 - DNA Identification
606	1,533	--	1,533	Traffic Violator
225	566	--	566	Childrens' Waiting Room
212	1,783	17	1,766	Sheriff Narcotics Program
1,203	1,284	--	1,284	Orange County Jail
				Sheriff's State Criminal Alien
3,436	13,023	--	13,023	Assistance Program
9,126	7	--	7	Substance Abuse/Crime Prevention
				County Public Safety Sales Tax
14,586	90,885	--	90,885	Excess Revenues
				California Automated Fingerprint
1	1,217	--	1,217	Identification Operational Costs
1,462	14,172	78	14,094	California Automated Fingerprint
				Identification Systems Costs
1,110	1,081	--	1,081	Sheriff's Supplemental Law
				Enforcement Services
1,051	32	--	32	District Attorney's Supplemental
				Law Enforcement Services
30	19,980	--	19,980	Sheriff-Coroner Replacement
90	23	--	23	and Maintenance
1,365	2,685	1,194	1,491	Ward Welfare
3	7,421	--	7,421	Court Facilities
6,754	1,135	70	1,065	Sheriff's Substations Fee Program
3,928	9,160	48	9,112	Jail Commissary
215	5,917	--	5,917	Inmate Welfare
				Child Support Program Development
2,425	8,603	301	8,302	800 MHz County-Wide Coordinated
7	79	--	79	Communications System
				Delta Special Revenue
69,763	187,835	\$ 2,559	\$ 185,276	Total Expenditures/Encumbrances
				and Other Financing Uses
				Excess (Deficit) of Revenues
				and Other Financing Sources
				Over Expenditures/Encumbrances
				and Other Financing Uses
10,234	\$ 192,738			
217,647				Fund Balances - Beginning of Year
(38,501)				Cancellation of Reserves/Designations
2,559				Fund Balance Reserved for Encumbrances
35,942				Provisions for Reserves and/or Designations
\$ 227,881				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
Revenues and Other Financing Sources		
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements	\$ 2,977,455	\$ 79,997
Differences-budget to GAAP:		
Revenue reported as an other financing source in connection with the debt service principal payment for the 2006 POBs for the GAAP financial statements is excluded from the Budgetary Comparison Statements.	105,991	
<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.	(211,065)	--
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.	(244,841)	--
Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances for non-budgeted funds are excluded from the Budgetary Comparison Statements.	--	412
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.	\$ 2,627,540	\$ 80,409
Expenditures/Encumbrances and Other Financing Uses		
Actual expenditures reported in the Budgetary Comparison Statements	\$ 2,937,829	\$ 69,763
Differences-budget to GAAP:		
Accreted interest for the 2007 Pension Obligation Bonds is reported as an expenditure in accordance with GAAP, but is not reported in the Budgetary Comparison Statement.	4,806	--
The prepaid pension costs were reported in the Budgetary Comparison Statement for the General Fund in the Prepaid Pension Obligation Agency. For the GAAP financial statements, the prepaid pension costs were recorded as a Prepaid Cost.	(210,806)	--
The County budgeted the payments of its annual required contribution to OCERS as a general government miscellaneous budgetary expenditure. Pension contributions have already been charged to departments.	(129,894)	--
Bioterrorism Center for Disease Control fund from the Other Public Protection group of funds to the Other Governmental Resources group of funds.	--	570
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances.	\$ 2,601,935	\$ 70,333



County of Orange
 Comprehensive Annual Financial Report
 June 30, 2007

	Business-Type Activities - Enterprise Funds			Governmental
	Airport	Waste Management	Total	Activities - Internal Service Funds
ASSETS				
Current Assets				
Pooled Cash/Investments (Notes 1 and 3)	\$ 101,108	\$ 320,987	\$ 422,095	\$ 270,865
Cash Equivalents/Specific Investments (Notes 1 and 3)	33,623	--	33,623	--
Cash/Cash Equivalents (Notes 1 and 3)	8,959	--	8,959	--
Imprest Cash Funds (Note 3)	14	35	49	133
Restricted Cash and Investments with Trustee (Note 3)	12,765	--	12,765	2,176
Restricted Pooled Cash/Investments (Note 3)	10,967	--	10,967	--
Deposits In-Lieu of Cash	31,494	--	31,494	--
Receivables				
Accounts	4,045	11,173	15,218	1,031
Passenger Facility Charges	3,278	--	3,278	--
Interest/Dividends	1,120	3,640	4,760	1,917
Allowance for Uncollectible Receivables	--	(1)	(1)	(2)
Due from Other Funds (Note 6)	49	20	69	5,696
Due from Component Unit (Note 6)	--	--	--	2
Due from Other Governmental Agencies	2,931	1,023	3,954	102
Inventory of Materials and Supplies	--	--	--	224
Prepaid Costs	2,119	1	2,120	45
Total Current Assets	212,472	336,878	549,350	282,189
Noncurrent Assets				
Restricted Cash and Investments with Trustee (Note 3)	18,502	10,675	29,177	--
Restricted Pooled Cash/Investments (Note 3)	--	34,334	34,334	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 3, and 13)	--	108,723	108,723	--
Deposits In-Lieu of Cash		17,622	17,622	--
Investments (Notes 1 and 3)	21,496	--	21,496	--
Capital Assets: (Note 4)				
Land	15,678	22,380	38,058	--
Construction in Progress	25,386	8,304	33,690	1,396
Structures and Improvements	352,254	6,989	359,243	4,860
Accumulated Depreciation	(171,600)	(3,668)	(175,268)	(3,870)
Equipment	9,961	53,334	63,295	77,861
Accumulated Depreciation	(7,137)	(24,616)	(31,753)	(57,503)
Infrastructure	124,621	259,768	384,389	--
Accumulated Depreciation	(85,822)	(84,303)	(170,125)	--
Total Capital Assets	263,341	238,188	501,529	22,744
Bond Issuance Costs	554	268	822	--
Total Noncurrent Assets	303,893	409,810	713,703	22,744
Total Assets	516,365	746,688	1,263,053	304,933

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	
	Airport	Waste Management	Total	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 5,976	\$ 5,363	\$ 11,339	\$ 9,137
Salaries and Employee Benefits Payable	353	523	876	392
Unearned Revenue	4,438	32	4,470	--
Due to Other Funds (Note 6)	4,526	4,093	8,619	926
Due to Other Governmental Agencies	--	1,910	1,910	1,716
Insurance Claims Payable (Notes 1 and 15)	--	--	--	44,881
Compensated Employee Absences Payable (Notes 1 and 10)	865	1,320	2,185	868
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	1,711	1,711	--
Bonds Payable (Notes 1 and 10)	12,029	4,704	16,733	--
Capital Lease Obligations Payable (Notes 10 and 12)	--	--	--	1,335
Interest Payable	--	193	193	--
Deposits from Others	32,261	18,403	50,664	--
Total Current Liabilities	<u>60,448</u>	<u>38,252</u>	<u>98,700</u>	<u>59,255</u>
Noncurrent Liabilities				
Insurance Claims Payable (Notes 1 and 15)	--	--	--	102,729
Compensated Employee Absences Payable (Notes 1 and 10)	862	1,384	2,246	700
Landfill Site Closure/Postclosure Liability (Notes 10 and 13)	--	180,654	180,654	--
Bonds Payable (Notes 1 and 10)	89,896	36,177	126,073	--
Capital Lease Obligations Payable (Notes 10 and 12)	--	--	--	1,390
Arbitrage Rebate Payable (Note 10)	--	279	279	--
Total Noncurrent Liabilities	<u>90,758</u>	<u>218,494</u>	<u>309,252</u>	<u>104,819</u>
Total Liabilities	<u>151,206</u>	<u>256,746</u>	<u>407,952</u>	<u>164,074</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	161,969	197,575	359,544	20,017
Restricted for:				--
Debt Service	31,267	38,419	69,686	--
Passenger Facility Charges Approved Capital Projects (Note 1)	9,872	--	9,872	--
Replacements and Renewals	1,000	--	1,000	--
Landfill Closure/Postclosure	--	52,613	52,613	--
Landfill Corrective Action	--	1,324	1,324	--
Unrestricted (Note 1)	161,051	200,011	361,062	120,842
Total Net Assets	<u>\$ 365,159</u>	<u>\$ 489,942</u>	<u>855,101</u>	<u>\$ 140,859</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds			(730)	
Cumulative Effect of Prior Year's Internal Service Funds' Allocation			(7,942)	
Net Assets of Business-type Activities			<u>\$ 846,429</u>	

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	\$ 92,492	\$ 510	\$ 93,002	\$ 2,233
Licenses, Permits, and Franchises	--	78	78	--
Charges for Services	14,256	109,652	123,908	70,548
Insurance Premiums	--	--	--	246,084
Other	--	1,099	1,099	--
Total Operating Revenues	<u>106,748</u>	<u>111,339</u>	<u>218,087</u>	<u>318,865</u>
Operating Expenses				
Salaries and Employee Benefits	14,592	22,145	36,737	15,661
Services and Supplies	18,246	16,304	34,550	31,933
Professional Services	29,988	13,749	43,737	36,710
Operating Leases	251	740	991	5,748
Insurance Claims and Premiums (Note 15)	--	--	--	176,265
Other Charges	--	--	--	23,159
Taxes and Other Fees	--	7,860	7,860	--
Landfill Site Closure/Postclosure Costs (Note 13)	--	6,819	6,819	--
Depreciation (Note 4)	19,306	15,661	34,967	5,759
Total Operating Expenses	<u>82,383</u>	<u>83,278</u>	<u>165,661</u>	<u>295,235</u>
Operating Income	<u>24,365</u>	<u>28,061</u>	<u>52,426</u>	<u>23,630</u>
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	23	23	--
Intergovernmental Revenues	691	--	691	1,519
Interest Revenue	9,319	25,181	34,500	12,784
Interest Expense	(6,649)	(2,788)	(9,437)	(347)
Gain (Loss) on Disposition of Capital Assets	(128)	239	111	(1,185)
Passenger Facility Charges Revenue	20,999	--	20,999	--
Other Revenue (Expense) - Net	1,121	(100)	1,021	1,166
Total Nonoperating Revenues (Expenses)	<u>25,353</u>	<u>22,555</u>	<u>47,908</u>	<u>13,937</u>
Income Before Contributions and Transfers	49,718	50,616	100,334	37,567
Capital Contributions	2,781	3,950	6,731	--
Transfers In (Note 8)	--	--	--	4,241
Transfers Out (Note 8)	--	(14,130)	(14,130)	(204)
Increase in Net Assets	<u>52,499</u>	<u>40,436</u>	<u>92,935</u>	<u>41,604</u>
Net Assets - Beginning of Year	312,660	449,506		99,255
Net Assets - End of Year	<u>\$ 365,159</u>	<u>\$ 489,942</u>		<u>\$ 140,859</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds			<u>(730)</u>	
Increase in Net Assets of Business-Type Activities			<u>\$ 92,205</u>	



County of Orange
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	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 105,948	\$ 109,141	\$ 215,089	\$ 72,893
Cash Received for Premiums within the County's Entity	--	--	--	246,084
Payments to Suppliers for Goods and Services	(48,517)	(32,514)	(81,031)	(237,193)
Payments to Employees for Services	(14,437)	(22,002)	(36,439)	(15,478)
Payments for Interfund Services Provided	--	(652)	(652)	(2,306)
Cash Receipts for Interfund Services Provided	540	42	582	945
Landfill Site Closure/Postclosure Care Costs	--	(1,711)	(1,711)	--
Taxes and Other Fees	--	(7,860)	(7,860)	--
Other Operating Receipts	1,121	--	1,121	744
Other Operating Payments	--	(717)	(717)	(28,577)
Net Cash Provided by Operating Activities	<u>44,655</u>	<u>43,727</u>	<u>88,382</u>	<u>37,112</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	--	--	--	2,498
Transfers Out	--	(14,130)	(14,130)	(204)
Intergovernmental Revenues	668	--	668	1,519
Net Cash Provided (Used) by Noncapital Financing Activities	<u>668</u>	<u>(14,130)</u>	<u>(13,462)</u>	<u>3,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(9,827)	(20,378)	(30,205)	(8,129)
Principal Paid on Bonds	(12,120)	(4,760)	(16,880)	--
Interest Paid on Long-Term Debt	(5,637)	(2,343)	(7,980)	(347)
Capital Contributions	1,477	--	1,477	--
Passenger Facility Charges Revenue	17,721	--	17,721	--
Transfers In	--	--	--	1,743
Principal Paid on Capital Lease Obligations	--	--	--	(1,285)
Proceeds from Sale of Capital Assets	2	596	598	360
Net Cash Used by Capital and Related Financing Activities	<u>(8,384)</u>	<u>(26,885)</u>	<u>(35,269)</u>	<u>(7,658)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	9,199	24,208	33,407	12,138
Purchases of Investments, net	(5,264)	--	(5,264)	--
Decrease in Restricted Investments with Trustee	--	(161)	(161)	--
Net Cash Provided by Investing Activities	<u>3,935</u>	<u>24,047</u>	<u>27,982</u>	<u>12,138</u>
Net Increase in Cash and Cash Equivalents	40,874	26,759	67,633	45,405
Cash and Cash Equivalents - Beginning of Year	127,102	437,320	564,422	227,769
Cash and Cash Equivalents - End of Year	<u>\$ 167,976</u>	<u>\$ 464,079</u>	<u>\$ 632,055</u>	<u>\$ 273,174</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	\$ 24,365	\$ 28,061	\$ 52,426	\$ 23,630
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	19,306	15,661	34,967	5,759
Provision for Landfill Site Closure/Postclosure Costs	--	6,819	6,819	--
Fines, Forfeitures and Penalties	--	23	23	--
Other Revenue (Expense)	1,121	(100)	1,021	1,166
Landfill Site Closure Disbursements	--	(1,711)	(1,711)	--
(Increases) Decreases In:				
Deposits In-Lieu of Cash	(3,377)	(652)	(4,029)	--
Accounts Receivable	62	(1,746)	(1,684)	(726)
Due from Other Funds	435	42	477	(741)
Due from Component Unit	--	--	--	1
Due from Other Governmental Agencies	25	(482)	(457)	746
Inventory of Materials and Supplies	--	--	--	(99)
Prepaid Costs	(68)	--	(68)	(45)
Increases (Decreases) In:				
Accounts Payable	36	(2,260)	(2,224)	(1,808)
Salaries and Employee Benefits Payable	49	76	125	64
Unearned Revenue	113	32	145	--
Due to Other Funds	105	(652)	(547)	(621)
Due to Other Governmental Agencies	--	(201)	(201)	1,708
Insurance Claims Payable	--	--	--	7,959
Compensated Employee Absences Payable	106	67	173	119
Deposits from Others	2,377	682	3,059	--
Arbitrage Rebate Payable	--	68	68	--
Total Adjustments	<u>20,290</u>	<u>15,666</u>	<u>35,956</u>	<u>13,482</u>
Net Cash Provided by Operating Activities	<u>\$ 44,655</u>	<u>\$ 43,727</u>	<u>\$ 88,382</u>	<u>\$ 37,112</u>
Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts				
Pooled Cash/Investments	\$ 101,108	\$ 320,987	\$ 422,095	\$ 270,865
Cash Equivalents/Specific Investments	33,623	--	33,623	--
Cash/Cash Equivalents	8,959	--	8,959	--
Imprest Cash Funds	14	35	49	133
Restricted Pooled Cash/Investments	10,967	34,334	45,301	--
Restricted Cash and Investments with Trustee	13,305 (1)	-- (2)	13,305	2,176
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	108,723	108,723	--
Total Cash and Cash Equivalents	<u>\$ 167,976</u>	<u>\$ 464,079</u>	<u>\$ 632,055</u>	<u>\$ 273,174</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

-Waste Management received a land donation of \$3,950 from The Irvine Company for the Coyote Landfill.

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

(2) Does not include \$10,675 from Waste Management's nonliquid Restricted Cash and Investments with Trustee.

**STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS**

	Private- Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits	Agency Funds
ASSETS				
Pooled Cash/Investments (Notes 1 and 3)	\$ 45,362	\$ 3,094,156	\$ 5,011	\$ 256,062
Imprest Cash Funds (Notes 1 and 3)	100	--	--	--
Restricted Cash and Investments with Trustees (Notes 1 and 3)	182	--	8,596	1,206
Investments (Notes 1 and 3)	--	--	--	1,113
Deposits In-Lieu of Cash	--	--	--	14,570
Receivables				
Accounts	--	--	--	7,561
Taxes (Note 1)	--	--	--	300,696
Interest/Dividends	341	32,136	38	19,698
Allowance for Uncollectible Receivables	--	--	--	(3)
Due from Other Governmental Agencies	221	--	668	6,213
Notes Receivable	--	--	--	10,903
Total Assets	<u>46,206</u>	<u>3,126,292</u>	<u>14,313</u>	<u>\$ 618,019</u>
LIABILITIES				
Accounts Payable	--	--	--	34,288
Interest Payable	--	--	--	24,045
Deposits from Others	--	--	--	225
Monies Held for Others	--	--	--	85,570
Due to Other Governmental Agencies	199	432	--	61,448
Unapportioned Taxes	--	--	--	412,443
Total Liabilities	<u>199</u>	<u>432</u>	<u>--</u>	<u>\$ 618,019</u>
NET ASSETS				
Held in Trust	46,007	3,125,860	14,313	
Total Net Assets	<u>\$ 46,007</u>	<u>\$ 3,125,860</u>	<u>\$ 14,313</u>	

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

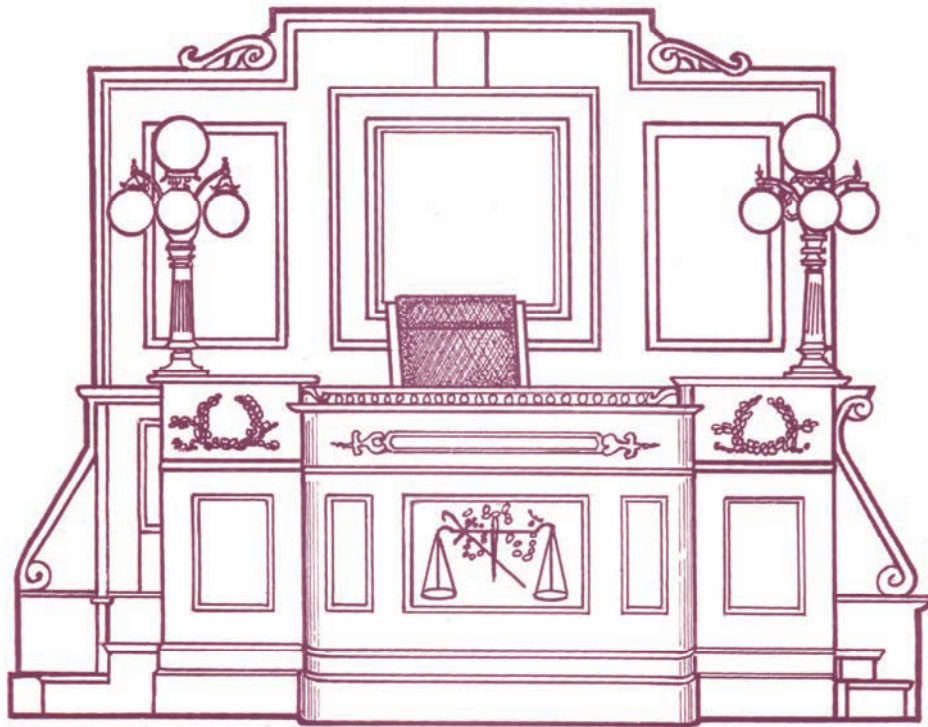
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Private-Purpose Trust	Investment Trust Funds	Pension Trust and Other Employee Benefits
Additions:			
Contributions to Pension Trust:			
Employer (Note 17)	\$ --	\$ --	\$ 1,096
Employee (Note 17)	--	--	943
Contributions to Pooled Investments (Note 3)	--	7,773,746	--
Contributions to Private-Purpose Trust	61,201	--	--
Interest and Investment Income (Note 3)	2,223	194,926	904
Less: Investment Expense (Note 3)	(43)	(3,518)	(5)
Total Additions	63,381	7,965,154	2,938
Deductions:			
Benefits Paid to Participants (Note 17)	--	--	943
Refunds of Prior Contributions (Note 17)	--	--	404
Distributions from Pooled Investments	--	7,544,566	--
Distributions from Private-Purpose Trust	61,071	--	--
Total Deductions	61,071	7,544,566	1,347
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	2,310	--	--
External Investment Pool (Note 3)	--	420,588	--
Employees' Retirement (Note 17)	--	--	1,591
Net Assets Held in Trust, Beginning of Year	43,697	2,705,272	12,722
Net Assets Held in Trust, End of Year	\$ 46,007	\$ 3,125,860	\$ 14,313

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



Notes to the Basic Financial Statements





1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the County of Orange:

A. Reporting Entity

The County is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors, which, as the governing body, is responsible for the legislative and executive control of the County. The County provides a full range of general government services, including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, public ways and facilities, waste management, airport management, and general financial and administrative support.

As required by generally accepted accounting principles in the United States of America (GAAP), these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the County Board of Supervisors is typically their governing body. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," and Statement No. 39, "Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14," to determine whether the following component units should be reported as blended or discretely presented component units:

Blended Component Units

Orange County Flood Control District The governing body of the District is the County's governing body. Among its duties, it approves the District's budget, determines the District's tax rates, approves contracts, and appoints the management. The District is reported in governmental fund types.

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

Orange County Housing Authority The governing body of the Authority is the County's governing body. Among its duties, it approves the Authority's budget, determines the rates and charges for the use of facilities and appoints the management. The Authority is reported in governmental fund types.

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

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, or by accessing Orange County's website at <http://www.ac.ocgov.com/finrpt.asp>.

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, constitutional provisions or enabling legislation. Examples of restricted net assets include federal and state grants that are restricted by grant agreements for specific purposes and restricted cash set aside for debt service for governmental activities payments. At June 30, 2007, the County's governmental activities reported restricted net assets of \$1,319,883 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 \$486,885 and are restricted for the use of Airport and Waste Management activities, including debt service, passenger

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

facility charges (PFC), replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2007, the County reported \$9,872 of net assets restricted by enabling legislation related to the PFC for Airport.

- 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

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.

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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Fiduciary Fund Types The County of Orange has a total of 230 trust and agency funds for FY 2006-07. 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.

The County reports the following trust funds:

Private-Purpose Trust

These funds are used to account for trust arrangements where the principal and income benefit individuals, private organizations, or other governments. Examples of private-purpose trusts include unidentified funds, unclaimed prisoner funds and decedents' property held for escheatment.

Investment Trust

Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of separate legal entities, other than school districts, which participate in the County Treasurer's external investment pool.

Educational Investment Pool

These funds are used to account for assets, consisting primarily of cash and investments, of school districts that participate in the County Treasurer's external Money Market Educational Investment Pool.

Pension (and Other Employee Benefits) Trust

Extra-Help Defined Benefit Plan

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

Extra-Help Defined Contribution Plan

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

401(a) Defined Contribution Plan

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

Additionally, the County reports the following agency funds:

Unapportioned Tax and Interest Funds

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

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.

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, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

Revenues that are accrued include real and personal property taxes, sales taxes, property taxes in lieu of motor vehicle license fees, 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, 2007, the County reported \$191,124 of deferred revenue, and \$50,051 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

Proprietary Fund Financial Statements (Continued)

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

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.

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*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Excess of Expenditures over Appropriations

For FY 2006-07, there were no expenditures that exceeded appropriations.

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 based on quoted market price and stated at fair value.

The Pools value participants' shares using an amortized cost basis. Specifically, the Pools distribute income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) investment and administrative expenses. This method differs from the fair value method used to value investments in this statement because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the Pools' investments. The total difference between the fair values of the investments in the Pools and the values distributed to pool participants using the amortized cost method described above is reported in the equity section of the statement of net assets/balance sheet (see Note 3, Deposits and Investments) as undistributed and unrealized gains.

G. Inventory of Materials and Supplies

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost, which is 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, 2007, the County has prepaid costs of \$393,342 in the Statement of Net Assets, which primarily consist of the County's Investment Account with OCERS for future pension costs of \$172,705 and \$210,810 for prepayment of the County's FY 2007-08 portion of the unfunded actuarial accrued 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 2007-08 retirement costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Land and Improvements Held for Resale

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

J. Capital Assets

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

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

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

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

Structures and Improvements	10 to 50 years
Equipment	2 to 20 years
Infrastructure:	
Flood Channels	50 to 99 years
Roads	10 to 20 years
Bridges	50 years
Trails	20 years
Traffic Signals	15 years
Harbors	20 to 50 years

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

K. Self-Insurance

The County is self-insured for general and automobile liability and workers' compensation claims, and for claims arising under the group health indemnified plans, group salary continuance plan, group dental plan, and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known and incurred but not reported claims, including allocated loss adjustment expenses. For additional information, refer to Note 15, Self-Insurance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are computed by applying approved property tax rates to the assessed value of properties as determined by the County Assessor, in the case of locally assessed property, and as determined by the State Board of Equalization, in the case of State-assessed public utility unitary and operating non-unitary property. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

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

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, 2007 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 deferred revenue in the fund-level financial statements, and recognized as revenue in the government-wide financial statements. 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, 2007, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 1.25% of the combined beginning secured and unsecured property tax roll charge.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Property Taxes (Continued)

The following are significant dates on the property tax calendar:

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

M. Compensated Employee Absences

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

N. Statement of Cash Flows

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

O. Indirect Costs

County indirect costs are allocated to benefiting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2006-07 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Effects of New Pronouncements

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

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

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. In June 2007, the County Board of Supervisors approved the establishment of an OPEB trust effective July 2, 2007. The County intends to implement the new reporting requirements in FY 2007-08. For additional information, refer to Note 18, Postemployment Health Care Benefits.

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. As noted in the GASB Statement No. 43 discussion above, the County intends to implement the new reporting requirements in FY 2007-08. For additional information, refer to Note 18, Postemployment Health Care Benefits.

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 FY 2007-08.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Effects of New Pronouncements (Continued)

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 in FY 2007-08.

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 this statement in FY 2008-09.

In May 2007, GASB issued Statement No. 50, "*Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27.*" This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2007, which requires the County to implement this statement in FY 2007-08.

In June 2007, GASB issued Statement No. 51, "*Accounting and Reporting for Intangible Assets.*" This statement establishes criteria for an intangible asset, accounting and reporting treatment, internally generated intangible assets, and amortization of an asset. Examples of such assets include easements, water rights, timber rights, patents, trademarks, and computer software. The statement also requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2009, which requires the County to implement this statement in FY 2009-10.

Q. Use of Estimates

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

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

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

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 (Continued)

<i>Government-Wide Statement of Net Assets Line Item</i>	<i>Corresponding Governmental and Proprietary Fund Balance Sheet or Statement of Net Assets Line Item</i>
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash and Investments; and 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 FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) and the Property and Casualty Risk ISF reported a deficit net asset balance of \$9,516 and \$1,769, respectively. The deficit results from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, and allocated loss adjustment expenses. Additionally, the Property and Casualty Risk ISF deficit includes the liability for potential claims not reflected in the actuarial study. The deficit for the Workers' Compensation ISF decreased by \$16,719 from the previous fiscal year due to the impact of legislative changes passed in April 2004 and increased charges to participants in the program. Charges to County departments have not provided sufficient cash flow to entirely fund the deficit in these ISFs. The County will continue to review charges to departments and adjust them as deemed appropriate.

3. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$6,620,865 as of June 30, 2007. 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 maturity of 90 days. The maximum maturity of the Extended Fund is 3 years, with a maximum weighted average maturity of 18 months.

The primary investment objectives of the Treasurer's investment activities are in priority order: protecting the safety of the principal invested, meeting participants' liquidity needs, attaining a money market rate of return, and attempting to stabilize at a \$1 net asset value for the County Money Market Fund and the Educational Money Market Fund. These external investment pools contain deposits, repurchase agreements, and investments. Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. Interest assigned to another fund due to management decision is recognized in the fund that reports the investments and reported as a transfer to the recipient fund.

A. Deposits

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

Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, the trust department of the same institution may hold them. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial institution. The pledge to secure deposits is administered by the California Superintendent of Banks. Collateral is required for demand deposits at 110 percent of all deposits not covered by federal deposit insurance if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150 percent is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County.

3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

Total County deposits and investments at fair value as of June 30, 2007 are reported as follows:

Deposits:	
Imprest Cash	\$ 1,733
Deposit Overdraft	(76,094)
Total Deposits Overdraft	(74,361)
Investments:	
With Treasurer	6,179,298
With Trustee	515,928
Total Investments	6,695,226
Total Deposits and Investments	\$ 6,620,865

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

Governmental Funds	\$ 2,090,138
Component Unit	163,577
Fiduciary Funds	3,411,788
Proprietary Funds	955,362
Total Deposits and Investments	\$ 6,620,865

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 County and Educational Pools were in full compliance with their own more restrictive IPS as of June 30, 2007, and therefore were also in compliance with California Government Code (Code). The IPS is more restrictive in that investments in reverse repurchase agreements are allowed by the Code but are not allowed under the IPS. The Code also allows a higher percentage for investments in a single issuer for a period of up to three business days. 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 Funds 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 Funds 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

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

External Investment Pools (Continued)

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 unless the issuer has a short-term rating of A-1+ or F1+ by S&P or Fitch or an AA or Aa2 long-term rating. All permitted investments are required to comply in every respect with California Government Code Sections 53601, 53601.7 and 53635 (governing the investment of public funds) and other relevant California Government Code provisions.

Repurchase agreements are limited to a one year maturity and can only be entered into with entities prescribed in California Government Code Section 53601.7. The securities underlying the agreements must be delivered to the County's custodial banks. The County enters into written master repurchase agreements that outline obligations of both the County and the dealers, and also enters into written contracts with custodial institutions that outline the basic responsibilities of those institutions for securities underlying the repurchase agreements. These custodial contracts and the County's procedures for monitoring the securities are similar to those for collateral on deposits.

The IPS expressly prohibits leverage, reverse repurchase agreements, and volatile structured notes or derivatives. Investments are marked to market on a daily basis. If the net asset value of the Money Market Fund for either the County Pool or the Educational Pool is less than \$.995 or greater than \$1.005, portfolio holdings may be sold as necessary to maintain the ratio between \$.995 and \$1.005. Under the IPS, no more than 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one money market mutual fund. All investments will be United States dollar denominated. At the time of the purchase of any security, a fund may invest up to twelve and a half percent (12.5%) of its total market value in the securities of a single issuer for a period of up to three business days. The fund may not invest in the securities of more than one issuer under this provision at any time.

The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual IPS prepared by the Treasurer. The TOC membership consists of the following: the elected Auditor-Controller, the County Executive Officer, the elected County Superintendent of Schools, one special district representative member, and one member from the public sector appointed by the Board of Supervisors. On October 10, 2007, Fitch reaffirmed the Pools' ratings of "AAA/V1+." On October 10, 2007, Moody's reaffirmed credit ratings of Aaa/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% involuntary participants. At June 30, 2007, the County Pool includes approximately 9.42% 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, 2007, the major classes of the County's investments consisted of the following:

<u>With Treasurer:</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Range (%)</u>	<u>Maturity Range</u>	<u>Weighted Average Maturity (Years)</u>
<u>County Pool</u>					
U.S. Government Agencies	\$ 913,026	\$ 916,238	Discount, 4.29-6.66%	07/18/07-06/29/10	1.51
Commercial Paper	674,335	678,161	Discount	07/02/07-12/21/07	0.10
Negotiable Certificates of Deposit	544,979	545,000	5.05-5.34%	07/09/07-11/19/07	0.13
Medium-Term Corporate Notes	667,040	666,924	4.30-6.31%	08/24/07-09/25/09	0.68
Municipal Debt	132,888	132,960	5.38%	02/28/08	0.67
Repurchase Agreements	226,754	226,754	4.63-5.40%	07/02/07	0.01
Money Market Mutual Funds	29,456	29,456	Variable	07/02/07	0.00
	\$ 3,188,478	\$ 3,195,493			0.65 *
<u>Educational Pool</u>					
U.S. Government Agencies	840,441	843,258	Discount, 4.29-6.66%	07/18/07-06/29/10	1.32
Commercial Paper	851,662	854,922	Discount	07/02/07-09/11/07	0.07
Negotiable Certificates of Deposit	445,965	446,000	5.08-5.34%	07/10/07-02/29/08	0.24
Municipal Debt	82,866	82,911	5.38%	02/28/08	0.67
Medium-Term Corporate Notes	555,906	555,821	4.30-6.31%	08/24/07-09/25/09	0.68
Repurchase Agreements	60,000	60,000	5.40%	07/02/07	0.01
Money Market Mutual Funds	9,435	9,435	Variable	07/02/07	0.00
	\$ 2,846,275	\$ 2,852,347			0.60 *
<u>Specific Investments</u>					
U.S. Government Agencies	\$ 13,878	\$ 13,948	Discount	7/23/07-10/19/07	0.11
U.S. Treasury Bills	49,284	50,000	4.59-5.23%	7/31/07-10/15/09	1.16
Commercial Paper	22,880	23,022	Discount	07/06/07-09/24/07	0.11
Negotiable Certificates of Deposit	8,000	8,000	5.30-5.33%	07/17/07-02/29/08	0.25
Medium-Term Corporate Notes	2,000	2,000	5.28%	03/10/08	0.70
Repurchase Agreements	1,082	1,082	6.18%	08/15/19	12.13
Money Market Mutual Funds	47,421	47,421	Variable	07/02/07	0.00
	\$ 144,545	\$ 145,473			0.54 *
<u>With Trustees:</u>					
<u>Restricted Investments with Trustees</u>					
U.S. Government Agencies	\$ 216,967	\$ 149,412	Discount	11/13/07-09/01/21	10.81
U.S. Treasury Bonds	2,990	2,558	9.00%	11/15/18	11.39
U.S. Treasury Strips	202	54	Discount	11/15/18	11.39
Guaranteed Investment Contracts	253,152	253,151	Variable, 2.71-6.68%	07/01/07-06/01/18	4.29
Money Market Mutual Funds	34,022	34,022	Variable	07/01/07	0.00
Stable Value Fund	8,595	8,595	Variable	07/01/07	0.00
	\$ 515,928	\$ 447,792			6.72 *

* 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 2007

On January 29, 2007, the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP) Money Market Funds purchased all of the County issued Taxable Pension Obligation Bonds, Series 2007 (2007 POBs) in the principal amount of \$211,065. For further information, refer to Note 9, Short-Term Obligations. The 2007 POBs were issued in order to pay the County's Fiscal Year 2007-08 Annual Required Contribution (ARC) to OCERS. The 2007 POBs were issued as convertible capital appreciation bonds, with a fixed rate, and a maturity date of June 30, 2008. The terms of the sale of the 2007 POBs from the County to the County Treasurer on behalf of the OCIP and OCEIP were negotiated at arm's length. The obligation of the County to pay principal and interest on the 2007 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2007, the outstanding principal amount of the 2007 POBs is \$211,065 and the accreted interest on the outstanding POBs is \$4,806. The bonds are rated MIG-1 by Moody's and SP-1 by S & P. The County's investment in the 2007 POBs is disclosed herein as Municipal Debt. See Note 17, Retirement Plans, for additional information regarding 2007 POBs.

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 \$3,188,478 and the Educational Pool's \$2,846,275 portfolio at June 30, 2007, 67% and 65%, respectively of the investments have a maturity of six months or less. Of the remainder, only 24% and 22% respectively have a maturity of more than one year.

As of June 30, 2007, variable-rate notes comprised 12% and 11% 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, 2007, the weighted average maturity of the County Pool was 0.65 years and the Educational Pool was 0.60 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 \$3,207,178 and \$2,858,383 with an average effective yield of 5.20% and 5.25%, respectively, for the year ended June 30, 2007.

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 F1 (Fitch), while an issuer of long-term debt shall be rated no less than an A. As of June 30, 2007, the County's investments in commercial paper were rated A-1 by S&P, P-1 by Moody's and F1 by Fitch.

Concentration of Credit Risk

At June 30, 2007, 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, 2007 (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
<u>County Pool</u>				
U.S. Government Agencies				
Federal Farm Credit Bank	AAA	Aaa	AAA	0.94%
Federal Home Loan Bank Discount Notes	AAA	Aaa	NR	0.43%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	10.78%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	7.39%
Freddie Mac Bonds	AAA	Aaa	AAA	9.10%
Commercial Paper	A-1	P-1	F1	21.15%
Negotiable Certificates of Deposit	A-1	P-1	F1	17.09%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	4.20%
Corporate Notes	AAA	Aaa	AAA	1.75%
Corporate Notes	AAA	Aaa	NR	12.15%
Corporate Notes	AA	Aa	AA	1.25%
Corporate Notes	AAA	Aaa	NR	1.57%
Municipal Debt	SP-1	MIG-1	NR	4.17%
Repurchase Agreements	NR	NR	NR	7.11%
Money Market Mutual Funds	AAA	Aaa	AAA	0.92%
Total County Pool				<u><u>100.00%</u></u>
<u>Educational Pool</u>				
U.S. Government Agencies				
Federal Home Loan Bank Discount Notes	AAA	Aaa	NR	0.39%
Federal Farm Credit Bank	AAA	Aaa	AAA	0.84%
Federal National Mortgage Association Discount Notes	A-1	Aaa	F1	1.33%
Federal Home Loan Bank Bonds	AAA	Aaa	NR	7.40%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	9.66%
Freddie Mac Bonds	AAA	Aaa	AAA	9.92%
Commercial Paper	A-1	P-1	F1	29.92%
Negotiable Certificates of Deposit	A-1	P-1	F1	15.67%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	2.99%
Corporate Notes	AAA	Aaa	AAA	1.57%
Corporate Notes	AAA	Aaa	NR	10.30%
Corporate Notes	A	Aa	A	1.16%
Corporate Notes	AAA	Aaa	AAA	3.51%
Municipal Debt	SP-1	MIG-1	NR	2.91%
Repurchase Agreements	NR	NR	NR	2.11%
Money Market Mutual Funds	AAA	Aaa	AAA	0.32%
Total Educational Pool				<u><u>100.00%</u></u>

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures (Continued)

<u>Investments (Continued)</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<u>Specific Investments</u>				
U.S. Government Agencies				
Federal Farm Credit Bank	AAA	Aaa	AAA	0.69%
Freddie Discount Notes	AAA	Aaa	AAA	4.73%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	4.18%
U.S. Treasury Bills	AAA	Aaa	AAA	34.09%
Commercial Paper	A-1	P-1	F1	15.83%
Negotiable Certificates of Deposit				
Certificates of Deposit/Yankee CD	AA	Aa	AA	4.15%
Certificates of Deposit	A	A1	A	1.38%
Medium-Term Notes	AAA	Aaa	NR	1.38%
Repurchase Agreements	NR	NR	NR	0.75%
Money Market Mutual Funds	AAA	Aaa	AAA	32.82%
Total Specific Investments				100.00%
<u>Restricted Investments with Trustees</u>				
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	A-1	NR	F1	2.80%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	39.25%
U.S. Treasury Bonds	AAA	Aaa	AAA	0.58%
U.S. Treasury Strips	AAA	Aaa	AAA	0.04%
Guaranteed Investment Contracts	NR	NR	NR	49.10%
Money Market Mutual Funds	AAA	Aaa	NR	6.56%
Stable Value Fund	NR	NR	NR	1.67%
Total Restricted Investments with Trustees				100.00%

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, 2007:

Entire Pool

Statements of Net Assets

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
Net assets held for pool participants	\$ 3,326,733	\$ 2,817,153	\$ 6,143,886
Equity of internal pool participants	\$ 3,014,697	\$ --	\$ 3,014,697
Equity of external pool participants	310,598	2,815,262	3,125,860
Undistributed and unrealized gains	1,438	1,891	3,329
Total Net Assets	<u>\$ 3,326,733</u>	<u>\$ 2,817,153</u>	<u>\$ 6,143,886</u>

Statements of Changes in Net Assets

Net assets at July 1, 2006	\$ 3,554,858	\$ 2,371,515	\$ 5,926,373
Net changes in investments by pool participants	(228,125)	445,638	217,513
Net Assets at June 30, 2007	<u>\$ 3,326,733</u>	<u>\$ 2,817,153</u>	<u>\$ 6,143,886</u>

External Pool Portion

**Combining Statements of
Fiduciary Net Assets**

	<u>Investment Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<u>Assets</u>			
Pooled Cash/Investments	\$ 308,143	\$ 2,786,013	\$ 3,094,156
Receivables: Interest/Dividends	2,621	29,515	32,136
Total Assets	<u>310,764</u>	<u>2,815,528</u>	<u>3,126,292</u>
<u>Liabilities</u>			
Due to Other Governmental Agencies	166	266	432
Total Liabilities	<u>166</u>	<u>266</u>	<u>432</u>
<u>Net Assets</u>			
Held in Trust	310,598	2,815,262	3,125,860
Total Net Assets	<u>\$ 310,598</u>	<u>\$ 2,815,262</u>	<u>\$ 3,125,860</u>

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Condensed Financial Statements (Continued)

**Combining Statements of Changes
in Fiduciary Net Assets**

	Investment Pool	Educational Pool	Total
Additions:			
Contributions to Pooled Investments	\$ 1,136,190	\$ 6,637,556	\$ 7,773,746
Interest and Investment Income	20,663	174,263	194,926
Less: Investment Expense	(310)	(3,208)	(3,518)
Total Additions	<u>1,156,543</u>	<u>6,808,611</u>	<u>7,965,154</u>
Deductions:			
Distributions from Pooled Investments	1,179,702	6,364,864	7,544,566
Total Deductions	<u>1,179,702</u>	<u>6,364,864</u>	<u>7,544,566</u>
Change in Net Assets Held in Trust For External Investment Pool	(23,159)	443,747	420,588
Net Assets Held in Trust, Beginning of Year	333,757	2,371,515	2,705,272
Net Assets Held in Trust, End of Year	<u>\$ 310,598</u>	<u>\$ 2,815,262</u>	<u>\$ 3,125,860</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, 2007
	Balance July 1, 2006	Increases	Decreases	Adjustments	
Governmental activities:					
Capital assets not depreciated:					
Land	\$ 575,715	\$ 32,201	\$ (1,750)	\$ --	\$ 606,166
Construction in progress	395,319	74,714	(153,406)	--	316,627
Total capital assets not being depreciated	<u>971,034</u>	<u>106,915</u>	<u>(155,156)</u>	<u>--</u>	<u>922,793</u>
Capital assets, depreciable:					
Structures and Improvements	880,073	36,960	(4,575)	--	912,458
Equipment	320,124	25,229	(22,302)	--	323,051
Infrastructure:					
Flood Channels	880,078	43,698	--	--	923,776
Roads	102,419	4,816	--	--	107,235
Bridges	62,665	--	--	--	62,665
Trails	32,428	--	--	--	32,428
Traffic signals	9,933	735	--	--	10,668
Harbors and Beaches	34,520	--	--	--	34,520
Capital assets, depreciable	<u>2,322,240</u>	<u>111,438</u>	<u>(26,877)</u>	<u>--</u>	<u>2,406,801</u>
Less accumulated depreciation for:					
Structures and Improvements	(380,226)	(26,406)	3,206	--	(403,426)
Equipment	(222,832)	(22,238)	19,298	(690)	(226,462)
Infrastructure:					
Flood Channels	(191,323)	(9,463)	--	--	(200,786)
Roads	(56,430)	(4,267)	--	--	(60,697)
Bridges	(19,271)	(1,251)	--	--	(20,522)
Trails	(21,101)	(830)	--	--	(21,931)
Traffic signals	(7,461)	(608)	--	--	(8,069)
Harbors and Beaches	(20,697)	(785)	--	--	(21,482)
Total accumulated depreciation	<u>(919,341)</u>	<u>(65,848)</u>	<u>22,504</u>	<u>(690)</u>	<u>(963,375)</u>
Capital assets, depreciable (net)	<u>1,402,899</u>	<u>45,590</u>	<u>(4,373)</u>	<u>(690)</u>	<u>1,443,426</u>
Governmental activities total capital assets, net	<u>\$ 2,373,933</u>	<u>\$ 152,505</u>	<u>\$ (159,529)</u>	<u>\$ (690)</u>	<u>\$ 2,366,219</u>

4. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2007
	Balance July 1, 2006	Increases	Decreases	Adjustments	
Business-type activities:					
Capital assets not depreciated:					
Land	\$ 34,108	\$ 3,950	\$ --	\$ --	\$ 38,058
Construction in progress	35,848	22,446	(24,539)	(65)	33,690
Total capital assets not being depreciated	<u>69,956</u>	<u>26,396</u>	<u>(24,539)</u>	<u>(65)</u>	<u>71,748</u>
Capital assets, depreciable:					
Structures and Improvements	356,776	2,546	(79)	--	359,243
Equipment	56,008	10,392	(3,105)	--	63,295
Infrastructure	362,858	21,531	--	--	384,389
Capital assets, depreciable	<u>775,642</u>	<u>34,469</u>	<u>(3,184)</u>	<u>--</u>	<u>806,927</u>
Less accumulated depreciation for:					
Structures and Improvements	(161,901)	(13,367)	--	--	(175,268)
Equipment	(29,246)	(5,112)	2,605	--	(31,753)
Infrastructure	(153,637)	(16,488)	--	--	(170,125)
Total accumulated depreciation	<u>(344,784)</u>	<u>(34,967)</u>	<u>2,605</u>	<u>--</u>	<u>(377,146)</u>
Capital assets, depreciable (net)	<u>430,858</u>	<u>(498)</u>	<u>(579)</u>	<u>--</u>	<u>429,781</u>
Business-type activities total capital assets, net	<u>\$ 500,814</u>	<u>\$ 25,898</u>	<u>\$ (25,118)</u>	<u>\$ (65)</u>	<u>\$ 501,529</u>

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

Government activities:	
General Government	\$ 2,322
Public Protection	33,081
Public Ways and Facilities	9,704
Health and Sanitation	2,868
Public Assistance	5,032
Education	1,144
Recreation and Cultural Services	5,938
Internal Service Funds' depreciation expense allocated to various functions	<u>5,759</u>
Total governmental activities depreciation expense	<u>65,848</u>
Business-type activities:	
Airport	19,306
Waste Management	<u>15,661</u>
Total business-type activities depreciation expense	<u>34,967</u>
Total depreciation expense	<u>\$ 100,815</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

\$788 of accounts receivable for governmental activities is not expected to be received within the next fiscal year, which consists of \$472 of revenue that must be accrued based upon cost claim period, not collection period per GASB reporting requirements. In addition, \$296 is for various invoices and non-sufficient funds checks that remain in the accounts due to statute of limitation constraints. The remaining \$20 is to accrue a property damage claim for FY 2006-07.

Deposits Receivable

\$11,386 of deposits receivable for governmental activities is not expected to be received within the next fiscal year, which consists of a \$6,696 deposit related to the United States Army Corps of Engineers (USACE) for the Santa Ana River Project. In addition, there is a \$3,500 deposit related to the USACE for the Upper Newport Bay Ecosystem Restoration Project and \$602 represents various cash advances, service contracts, and miscellaneous deposits. The remaining \$588 is for condemnation deposits held by the courts pending court action.

Notes Receivable

Of the \$47,236 in notes receivable for governmental activities, \$30,499 is not expected to be received within the next fiscal year. \$28,797 consists of loans to build affordable, low to moderate income, and senior housing. \$1,549 is from the sale of surplus County property. The remaining \$153 is for rehabilitation loans.

Loans Receivable

\$2,733 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 and \$800 is a loan receivable for Green River's Golf Course operating expense. In addition, \$50 provides operating cash for Santa Ana River Prado Dam Property Management.

Due From Other Governmental Agencies

\$62,584 due from other governmental agencies for governmental activities is not expected to be received within the next fiscal year. This consists primarily of \$61,962 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 began to reimburse the County for these programs over a 15 year period beginning in FY 2006-07. The State Constitution requires reimbursement for these programs costs, and interest will accrue on the reimbursement claims until they are paid. The remaining \$622 includes \$281 revenue due from Riverside County for the cost-share related to Seven Oaks Dam - Santa Ana River Project and \$341 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, 2007 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$ 1,555	
	Public Library	55	
	Tobacco Settlement	6,828	
	Flood Control District	3,227	
	Harbors, Beaches, and Parks	3,735	
	Other Public Protection	11,708	
	Other Governmental Funds	24,657	
	Internal Service Funds	856	
	Airport	1,805	
	Waste Management	<u>4,066</u>	\$ 58,492
Roads	General Fund	81	
	Flood Control District	685	
	Harbors, Beaches, and Parks	205	
	Other Public Protection	20	
	Other Governmental Funds	71	
	Airport	<u>31</u>	1,093
Public Library	Internal Service Funds	<u>38</u>	38
Flood Control District	General Fund	256	
	Roads	681	
	Harbors, Beaches, and Parks	341	
	Other Public Protection	11	
	Other Governmental Funds	332	
	Internal Service Funds	1	
	Airport	33	
	Waste Management	<u>1</u>	1,656
Harbors, Beaches, and Parks	General Fund	167	
	Roads	73	
	Flood Control District	55	
	Other Governmental Funds	<u>18</u>	313
Other Public Protection	General Fund	5	
	Roads	33	
	Airport	<u>1</u>	39

6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Other Governmental Funds	General Fund	\$ 12,606	
	Flood Control District	1	
	Other Public Protection	4	
	Other Governmental Funds	4,768	
	Internal Service Funds	7	
	Airport	2,606	
	Waste Management	<u>1</u>	\$ 19,993
Airport	General Fund	<u>49</u>	49
Waste Management	Roads	6	
	Flood Control District	8	
	Harbors, Beaches, and Parks	<u>6</u>	20
Internal Service Funds	General Fund	5,392	
	Roads	3	
	Public Library	39	
	Flood Control District	5	
	Harbors, Beaches, and Parks	20	
	Other Public Protection	132	
	Other Governmental Funds	6	
	Internal Service Funds	24	
	Airport	50	
	Waste Management	<u>25</u>	<u>5,696</u>
	Total		<u>\$ 87,389</u>

Due From/To Primary Government and Component Unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government – General Fund	Component Unit – Children & Families Commission of Orange County	\$ 191
Primary Government – Internal Service Funds	Component Unit – Children & Families Commission of Orange County	\$ 2

The \$2,606 payable balance due from the Airport to the Other Governmental Funds relates to the funding of the Acoustical Insulation Project and the Purchase Assurance Program in the Santa Ana Heights area near the Airport. The majority of the remaining interfund balances resulted from the time lag between the time that (1) goods and services were provided, (2) the recording of those transactions in the accounting system, and (3) payments between the funds were made.

7. COUNTY PROPERTY ON LEASE TO OTHERS

The County has noncancelable operating leases for certain buildings, which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from noncancelable operating leases with synthetic fuel corporations. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2007, approximates \$34,404.

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, 2007 are as follows:

<u>Fiscal Year(s) Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2008	\$ 11,467	\$ 36,586
2009	11,359	29,008
2010	11,250	23,011
2011	10,448	17,791
2012	7,476	3,470
	<u>52,000</u>	<u>109,866</u>
2013-2017	28,780	13,026
2018-2022	26,689	4,443
2023-2027	25,258	175
2028-2032	22,736	--
2033-2037	21,286	--
2038-2042	8,345	--
2043-2047	758	--
2048-2052	149	--
	<u>134,001</u>	<u>17,644</u>
 Total future minimum rentals	 <u>\$ 186,001</u>	 <u>\$ 127,510</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$335 (Flood Control District), \$4,681 (Harbors, Beaches, and Parks), \$27,219 (Airport) and \$48 (Waste Management) for the year ended June 30, 2007.

8. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>		
<u>Governmental Funds</u>			
General Fund	Public Library	\$ 3,600	
	Tobacco Settlement	6	
	Harbor, Beaches, and Parks	8,800	
	Other Public Protection	865	
	Other Governmental Funds	99,588	
	Internal Service Funds	<u>3,821</u>	\$ 116,680
Public Library	General Fund	<u>477</u>	477
Tobacco Settlement	General Fund	26,853	
	Other Governmental Funds	<u>3,033</u>	29,886
Flood Control District	General Fund	<u>24</u>	24
Harbor, Beaches, and Parks	Flood Control District	<u>800</u>	800
Other Public Protection	General Fund	26,367	
	Other Governmental Funds	9,170	
	Internal Service Funds	<u>114</u>	35,651
Other Governmental Funds	General Fund	61,272	
	Flood Control District	100	
	Harbor, Beaches, and Parks	572	
	Other Public Protection	116	
	Other Governmental Funds	42,167	
	Internal Service Funds	<u>300</u>	104,527
Internal Service Funds	General Fund	198	
	Internal Service Funds	<u>6</u>	<u>204</u>
Total Governmental Funds			<u><u>\$ 288,249</u></u>
<u>Enterprise Funds</u>			
Waste Management	General Fund	<u>14,130</u>	
Total Enterprise Funds			<u><u>\$ 14,130</u></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 \$71,374 was transferred out from the General Fund to the Debt Service and Special Revenue funds in connection with debt service payments for the various County debt issues.
- \$25,147 was transferred from the Tobacco Settlement Fund to the General Fund to finance various health care programs. \$3,033 was transferred to Other Governmental Funds for projects at the Theo Lacy Jail.
- \$14,130 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, \$11,717 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.
- \$6,370 was transferred from the Other Public Protection Fund to the General Fund for the annual transfer of Public Safety Sales Tax Revenue.
- \$12,862 was transferred from the Other Public Protection Fund to the General Fund for various programs.
- \$5,403 was transferred from the Emergency Medical Services Fund (EMS) to reimburse the General Fund for EMS services.
- \$1,037 interest earnings were transferred from the Designated Special Revenue Fund to the General Fund per GASB Statement No. 31 requirement.
- \$1,328 was transferred from the General Fund to the Community and Welfare Services Fund for the Social Services Agency Santa Ana Regional Center (SARC) lease conveyance agreement.
- \$8,800 was transferred from the General Fund to the Harbors, Beaches and Parks Fund for Harbor Patrol Services.
- \$28,600 was transferred from Other Governmental Funds to the General Fund for the reimbursement of various County programs as follows:
 - \$7,771 for capital projects and maintenance
 - \$18,543 for Prop 63, Mental Health Services Act expenses
 - \$2,286 for Sheriff's department programs

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

- \$3,600 was transferred from the General Fund to the Public Library Fund for acquisition of the Orange County Public Library Headquarters building.
- \$5,000 was transferred from the General Fund to the Community and Welfare Services Fund for district community priorities and projects.
- \$1,500 was transferred from the General Fund to the Community and Welfare Services Fund for facilities development and maintenance for the Social Services Agency.
- \$1,000 was transferred from the General Fund to the Health Care Programs Fund for mental health and public health services for the Health Care Agency.
- \$7,344 was transferred from the Other Public Protection Fund to the Criminal Justice Facilities Fund for Sheriff-Coroner's facility construction and development.
- \$31,713 was transferred from the Community and Welfare Services Fund to the Health Care Programs Fund for fund category reclassification purposes.

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 2006 (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 actuarial accrued liability (UAAL) 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 and 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. The County paid the bonds on June 29, 2007.

Taxable Pension Obligation Bonds, Series 2007

On January 29, 2007, the County issued Taxable Pension Obligation Bonds, Series 2007 (2007 POBs) in the principal amount of \$211,065. The 2007 POBs were issued in order to pay the entire FY 2007-08 actuarially required contribution related to both the amortization of the UAAL and the normal annual contribution to OCERS. In return, the County received a 7.75% discount on the required employer contribution amount. The 2007 POBs were issued as convertible capital appreciation bonds, with a fixed rate and a maturity date of June 30, 2008. The obligation of the County to pay principal and interest on the 2007 POBs is an obligation imposed by law and is absolute and unconditional. As of June 30, 2007, the outstanding principal amount of the 2007 POBs reported in the General Fund is \$211,065 and the accreted interest is \$4,806.

Description	Balance July 1, 2006	Issuances and Discount/ Premium Amortization	Accreted Interest	Retire- ments	Balance June 30, 2007	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

\$	108,269	\$	--	\$	108,269	\$	--	\$	--
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County of Orange
Taxable Pension Obligation
Bonds - Series 2007

Date Issued: January 29, 2007
 Interest Rate: 5.38%
 Original Amount: \$211,065
 Maturing in installments through
 June 30, 2008

	--	211,065	4,806	--	215,871	215,871
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Total	\$	108,269	\$	211,065	\$	4,806	\$	108,269	\$	215,871	\$	215,871
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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% of the last equalized assessment property tax roll. At June 30, 2007, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$4,715,969. 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 Obligations

Refunding Recovery Bonds 2005 Series A

On August 18, 2005, the County issued its \$146,005 Refunding Recovery Bonds 2005 Series A (2005 Recovery Bonds) 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 Refunding Bonds 1995 Series A (1995 Recovery Bonds), were used to refund and defease the outstanding 1995 Recovery Bonds and pay costs of issuance for the 2005 Recovery Bonds. As of June 30, 2007, the outstanding principal amount, including the premium of the 2005 Recovery Bonds, was \$128,352.

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 1996 Recovery Certificates of Participation (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. As of June 30, 2007, the outstanding principal amount, including the premium of the Series 2005 Bonds, was \$392,657.

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.

Revenue Bonds Payable and Certificates of Participation

Refunding Certificates of Participation (Civic Center Parking Facilities Project)

In December 1987, Certificates of Participation (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, 2007, the outstanding principal amount of the Refunding COPs was \$7,165.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

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

In June 1992, the Orange County Financing Authority issued its \$28,082 1992 Tax Allocation Revenue Bonds, Series A (Neighborhood Development and Preservation Project) (NDAPP Bonds). The proceeds of the NDAPP Bonds were loaned to the Orange County Development Agency (OCDA) for use in connection with OCDA's Neighborhood Development and Preservation Project (NDAPP Project). Debt service on the NDAPP Bonds is secured by a pledge of the property tax increments, which OCDA receives, from property within the NDAPP Project. The bonds were fully redeemed during 2007.

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, 2007, the outstanding principal amount of the NDAPP Refunding Bonds was \$23,831.

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

In May 2002, the 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 COPs (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. As of June 30, 2007, the outstanding principal amount, including the premium of the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002 was \$64,856.

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.

Orange County Public Financing Authority Lease Revenue Bonds, Series 2006

On October 19, 2006, the OCPFA issued its \$32,700 Lease Revenue Bonds, Series 2006 (Series 2006 Bonds) at a 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. As of June 30, 2007, the outstanding principal amount, including the premium of the Series 2006 Bonds, was \$34,840.

The bonds are limited obligations of the 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.

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 increment revenues allocated and paid to OCDA attributable to the Santa Ana Heights Project Area. As of June 30, 2007, the outstanding principal amount of the SAHP was \$35,679.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Taxable Pension Obligation Bonds, Series 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 1994 Pension Bonds). As of June 30, 2007, the outstanding principal amount of the Series 1996A and 1997A Pension Bonds were \$49,556 and \$40,335, 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, 2007 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. As of June 30, 2007, the outstanding principal amount of the Lease Revenue Bonds was \$3,244.

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.

10. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Airport Revenue Refunding Bonds, Series 1997 and 2003

In July 1987, the County issued in the principal amount of \$242,440 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 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 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, 2007 was \$108,760. 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 December 1988, the County issued in the principal amount of \$88,435 the 1988 Certificates of Participation (1988 COPs) to finance capital improvements to the County's solid waste management system, refinance certain lease obligations relating to the Bee Canyon Disposal Station, and for other purposes of the system.

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 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 1997 Bonds as of June 30, 2007 was \$42,325.

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, 2007, \$143,040 of legally defeased debt remains outstanding.

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2006-07

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2007 were as follows:

Description	Balance July 1, 2006	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2007	Amounts Due within One Year
<u>Governmental Funds:</u>					
<u>County of Orange</u>					
<u>Refunding Recovery Bonds - Series 2005A:</u>					
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: \$146,005					
Maturing in installments through June 1, 2015.					
	\$ 140,795	\$ (248)	\$ (12,195)	\$ 128,352	\$ 12,885
Deferred Amount on Refunding	(9,375)	1,042	--	(8,333)	(1,042)
<u>Orange County Public Financing Authority</u>					
<u>Lease Revenue Refunding Bonds, Series 2005:</u>					
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.					
	439,729	(547)	(46,525)	392,657	46,725
Deferred Amount on Refunding	(24,486)	2,129	--	(22,357)	(2,129)
<u>Orange County Public Facilities Corporation,</u>					
<u>Refunding Certificates of Participation:</u>					
<u>(Civic Center Parking Facilities Project)</u>					
Date Issued: August 1, 1991 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB)					
To refund prior December 22, 1987 bond issue					
Interest Rate: CIB - 4.40% to 6.75%					
Interest Rate: CAB - 6.85% to 7.05%					
Original Amount: CIB - \$24,495					
Original Amount: CAB - \$9,084					
Maturing in installments through December 1, 2018.					
	8,092	--	(927)	7,165	859

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2006-07 (Continued)

Description	Balance July 1, 2006	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2007	Amounts Due within One Year
<u>Orange County Financing Authority</u>					
<u>Tax Allocation Revenue Bonds - Series 1992 A:</u>					
<u>(Neighborhood Development and Preservation Project)</u>					
Date Issued: June 1, 1992 - Current Interest Rate Bonds (CIB) and Capital Appreciation Bonds (CAB)					
To refund prior June 1, 1989 Orange County Development Agency bond issue					
Interest Rate: CIB - 4.50% to 6.50%					
Interest Rate: CAB - 6.50% to 6.55%					
Original Amount: CIB - \$27,150					
Original Amount: CAB - \$932					
Maturing in installments through September 1, 2022.					
	\$ 291	\$ --	\$ (291)	\$ --	\$ --
<u>Orange County Development Agency</u>					
<u>Tax Allocation Refunding Bonds - Series 2001:</u>					
<u>(Neighborhood Development and Preservation Project)</u>					
Date Issued: July 11, 2001 to refund prior June 1, 1992 Orange County Development Agency bond issue.					
Interest Rate: 4.00% to 5.50%					
Original Amount: \$26,160					
Maturing in installments through September 1, 2022.					
	24,143	(7)	(305)	23,831	1,057
Deferred Amount on Refunding	(932)	55	--	(877)	(55)
<u>Orange County Public Financing Authority</u>					
<u>Juvenile Justice Center Facility Lease Revenue Refunding Bonds - Series 2002</u>					
Date issued: May 1, 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.					
	68,846	5	(3,995)	64,856	3,980
Deferred Amount on Refunding	(2,843)	219	--	(2,624)	(219)
<u>Orange County Public Financing Authority</u>					
<u>Lease Revenue Bonds, Series 2006</u>					
Date issued: October 19, 2006					
Interest Rate: 4.00% to 5.00%					
Original Amount: \$32,700					
Maturing in installments through June 1, 2018					
	--	34,840	--	34,840	--

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2006-07 (Continued)

Description	Balance July 1, 2006	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2007	Amounts Due within One Year
<u>Orange County Development Agency</u>					
<u>Santa Ana Heights Project Area 2003</u>					
<u>Tax Allocation Refunding Bonds:</u>					
Date Issued: November 13, 2003 to refund prior August 1, 1993 bond issue					
Interest Rate: 2.00% to 5.25%					
Original Amount: \$38,465					
Maturing in installments through September 1, 2023.					
	\$ 37,095	\$ (47)	\$ (1,369)	\$ 35,679	\$ 1,462
Deferred Amount on Refunding	(1,603)	92	--	(1,511)	(92)
<u>County of Orange</u>					
<u>Taxable Refunding Pension</u>					
<u>Obligation Bonds - Series 1996 A:</u>					
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CIB)					
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)					
To refund prior September 1, 1994 bond issue.					
Interest Rate: CIB - 7.47% to 7.72%					
Interest Rate: CAB - 8.09% to 8.26%					
Original Amount: CIB - \$81,680					
Original Amount: CAB - \$40,000					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).					
	55,656	--	(6,100)	49,556	12,000
<u>County of Orange</u>					
<u>Taxable Refunding Pension</u>					
<u>Obligation Bonds - Series 1997 A:</u>					
Date Issued: January 1, 1997 - Current Interest Rate Bonds (CIB)					
Date Issued: January 14, 1997 - Capital Appreciation Bonds (CAB)					
To refund a substantial portion of the September 1, 1994 bond issue.					
Interest Rate: CIB - 5.71% to 7.36%					
Interest Rate: CAB - 7.33% to 7.96%					
Original Amount: CIB - \$71,605					
Original Amount: CAB - \$65,318					
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB).					
	44,058	--	(3,723)	40,335	5,163

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2006-07 (Continued)

Description	Balance July 1, 2006	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2007	Amounts Due within One Year
<u>Orange County Special Financing Authority</u>					
<u>Teeter Plan Revenue Bonds -</u>					
<u>Series A through E:</u>					
Date Issued: June 1, 1995					
Interest Rate: Variable					
(Series A,B,C,D and E)					
Original Amount: \$155,000					
Maturing in installments through					
November 1, 2014.	\$ 123,725	\$ --	\$ --	\$ 123,725	\$ --
<u>Orange County Public Financing Authority,</u>					
<u>Telecommunications Equipment Project</u>					
<u>Lease Revenue Bonds - Series 2001</u>					
Date Issued: April 1, 2001					
Interest Rate: 4.00%					
Original Amount: \$10,330					
Maturing in installments through					
December 15, 2008.	4,774	--	(1,530)	3,244	1,590
Subtotal - Governmental Funds	<u>\$ 907,965</u>	<u>\$ 37,533</u>	<u>\$ (76,960)</u>	<u>\$ 868,538</u>	<u>\$ 82,184</u>

10. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2006-07 (Continued)

Description	Balance July 1, 2006	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2007	Amounts Due within One Year
<u>Enterprise Funds:</u>					
<u>Airport Revenue Refunding Bonds - Series 1997:</u>					
Date Issued: April 2, 1997 to refund \$131,490 of the 1987 Airport Revenue bond issue					
Interest Rate: 5.00% to 6.00%					
Original Amount: \$135,050					
Maturing in installments through July 1, 2012					
	\$ 74,515	\$ (60)	\$ (9,565)	\$ 64,890	\$ 10,124
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(749)	220	--	(529)	(39)
<u>Airport Revenue Refunding Bonds - Series 2003:</u>					
Date Issued: May 29, 2003 to refund 1993 Airport Revenue bond issue					
Interest Rate: 2.50% to 5.00%					
Original Amount: \$48,680					
Maturing in installments through July 1, 2018.					
	46,888	(463)	(2,555)	43,870	3,066
Deferred Amount on Refunding (2003 Airport Revenue Bonds)	(7,498)	1,192	--	(6,306)	(1,122)
<u>Orange County Public Financing Authority Waste Management System Refunding Revenue Bonds - Series 1997:</u>					
Date Issued: November 18, 1997 to refund \$77,445 of the OCPFC 1988 Certificate of Participation (Solid Waste Management System)					
Interest Rate: 4.375% to 5.75%					
Original Amount: \$77,300					
Maturing in installments through December 1, 2013.					
	47,244	(159)	(4,760)	42,325	5,171
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(1,972)	528	--	(1,444)	(467)
Subtotal - Enterprise Funds	158,428	1,258	(16,880)	142,806	16,733
Total	\$ 1,066,393	\$ 38,791	\$ (93,840)	\$ 1,011,344	\$ 98,917

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>	
2008	\$ 84,837	\$ 49,671	\$ 17,795	\$ 7,813	\$ 160,116
2009	75,726	46,904	18,790	6,815	148,235
2010	84,124	44,038	19,810	5,793	153,765
2011	81,510	44,597	20,895	4,709	151,711
2012	87,439	49,873	22,050	3,549	162,911
2013-2017	392,779	207,548	40,340	6,146	646,813
2018-2022	55,142	62,550	8,665	655	127,012
2023-2027	7,275	315	--	--	7,590
Total	868,832	505,496	148,345	35,480	1,558,153
Add: Premium	35,408	--	2,740	--	38,148
Less: Deferred amount on refunding	(35,702)	--	(8,279)	--	(43,981)
Principal payable, net	<u>\$ 868,538</u>	<u>\$ 505,496</u>	<u>\$ 142,806</u>	<u>\$ 35,480</u>	<u>\$ 1,552,320</u>

10. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2007 were as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
Bonds and COPs payable:					
Revenue bonds	\$ 673,655	\$ 32,700	\$ (54,015)	\$ 652,340	\$ 54,130
Certificates of participation	8,092	--	(927)	7,165	859
Pension obligation bonds	99,714	--	(9,823)	89,891	17,163
Recovery bonds	131,631	--	(12,195)	119,436	12,685
Add: Premium on bonds payable	34,112	2,140	(844)	35,408	884
Less: Deferred amount on refunding	(39,239)	--	3,537	(35,702)	(3,537)
Total bonds & COPs payable, net	<u>907,965</u>	<u>34,840</u>	<u>(74,267)</u>	<u>868,538</u>	<u>82,184</u>
Interest on capital appreciation bonds	98,666	13,141	(1,243)	110,564	--
Other long-term liabilities:					
Compensated employee absences payable	144,818	113,268	(109,347)	148,739	82,707
Arbitrage rebate payable	59	15	(59)	15	--
Capital lease obligations payable	101,546	--	(8,013)	93,533	4,964
Insurance claims payable	139,649	88,543	(80,582)	147,610	44,881
Net pension obligation	750	276	(358)	668	--
Total other long-term liabilities	<u>386,822</u>	<u>202,102</u>	<u>(198,359)</u>	<u>390,565</u>	<u>132,552</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,393,453</u>	<u>\$ 250,083</u>	<u>\$ (273,869)</u>	<u>\$ 1,369,667</u>	<u>\$ 214,736</u>
Business-type Activities:					
Bonds Payable:					
Revenue bonds	\$ 165,225	\$ --	\$ (16,880)	\$ 148,345	\$ 17,795
Add: Premium on bonds payable	3,422	--	(682)	2,740	566
Less: Deferred amount on refunding	(10,219)	--	1,940	(8,279)	(1,628)
Total revenue bonds payable, net	<u>158,428</u>	<u>--</u>	<u>(15,622)</u>	<u>142,806</u>	<u>16,733</u>
Other long-term liabilities:					
Compensated employee absences payable	4,258	3,437	(3,264)	4,431	2,185
Arbitrage rebate payable	211	68	--	279	--
Landfill site closure/postclosure liabilities	177,257	6,824	(1,716)	182,365	1,711
Total other long-term liabilities	<u>181,726</u>	<u>10,329</u>	<u>(4,980)</u>	<u>187,075</u>	<u>3,896</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 340,154</u>	<u>\$ 10,329</u>	<u>\$ (20,602)</u>	<u>\$ 329,881</u>	<u>\$ 20,629</u>

10. LONG-TERM OBLIGATIONS (Continued)

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2007 is \$148,739 compared with \$144,818 at June 30, 2006. 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 owners 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, 2007, amounted to \$748,390.

11. CONDUIT DEBT OBLIGATIONS

From 1980 through 2007, 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 rental homes and the construction of multi-family rental 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 is 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 financial statements.

As of June 30, 2007, there were 73 series of bonds outstanding, with an aggregate principal amount payable of \$833,716.

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>
2008	\$ 58,132	\$ 27,962	\$ 86,094
2009	51,577	25,174	76,751
2010	33,032	22,459	55,491
2011	24,352	19,139	43,491
2012	23,503	11,718	35,221
2013 - 2017	1,399	30,659	32,058
2018 - 2022	--	276	276
Total	<u>\$ 191,995</u>	<u>\$ 137,387</u>	<u>\$ 329,382</u>

Total rent expenditures for operating leases incurred for FY 2006-07 was \$50,571.

Capital Leases

The following is an analysis of property leased under capital leases:

Land	\$ 24,047
Equipment	2,669
Less: Accumulated Depreciation	(2,306)
Structures & Improvements	101,738
Less: Accumulated Depreciation	(20,341)
Total	<u>\$ 105,807</u>

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30</u>	
2008	\$ 12,563
2009	12,832
2010	11,376
2011	10,311
2012	10,161
2013-2017	46,194
2018-2022	43,998
2023-2027	20,215
Total minimum lease payments	167,650
Less: amount representing interest	(74,117)
Present value of net minimum lease payments	<u>\$ 93,533</u>

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 2001)
- 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 was owned by The Irvine Company and leased by the County. The County accepted the conveyance of the real property from The Irvine Company, along with the real property adjacent to the landfill and certain easement rights. This action was approved by the Board of Supervisors on November 21, 2006. The value of the land is \$3,950.

The total landfill closure and postclosure care liability at June 30, 2007 was \$182,365. The total liability represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date (44%), 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 \$154,531 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 2006-07 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 pledge of future revenue agreements 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, 2007, \$108,723 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, 2007, major contracts entered into for equipment, land, structures and improvements, and other commitments were as follows, listed by fund within governmental or business-type activities:

<u>Project Title</u>	<u>Remaining Commitments</u>
Governmental Activities:	
General Fund	
Central Justice Center - Phase II - HVAC/ADA	\$ 14,045
Cogeneration at Central Utility Facility	10,210
Information Services Bureau	1,154
	<u>25,409</u>
Roads	
Laguna Canyon Road - State Route 73 to Interstate 405	8,959
Foothill Circulation Phasing Plan - Alton-Irvine Boulevard to Foothill Transportation Corridor	1,601
Oso Parkway Widening - Meandering Trail to Solano	1,164
	<u>11,724</u>
Public Library	
Irvine Historic Branch	4,128
	<u>4,128</u>
Flood Control District	
Los Alamitos Pump Station - New Pump and Pump House	21,707
Fullerton Creek Channel, Knott Avenue to Beach Boulevard	6,703
Peters Canyon Channel at Barranca Parkway and Main Street	1,473
	<u>29,883</u>
Harbors, Beaches and Parks	
O'Neill Park Sewer Conversion	1,333
	<u>1,333</u>
Other Governmental Funds	
Santa Ana Heights Redevelopment Sewer Improvements	2,733
Vehicles for Transportation Internal Service Fund	2,612
Los Pinos Conservation Camp Renovation	2,183
	<u>7,528</u>
Business-Type Activities:	
Airport	
New South Remain Over Night Airplane Parking	27,856
Terminal Building Gate Expansion	26,145
Restroom Remodel - Sterile	2,653
	<u>56,654</u>
Integrated Waste Management	
Brea Soil Removal Project	3,247
Construction Management and Quality Assurance Services	2,400
Environmental Services - Phase 8 Forward	2,010
	<u>7,657</u>
Total commitments	<u><u>\$ 144,316</u></u>

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. When the SAR Project was initiated in 1989, the U.S. Army Corps of Engineers (COE) considered this flood plain 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, 2007, the OCFCD expended \$352,462 on the Project. The COE's 2008 estimated combined cost for all Project components has been increased from the initial estimate of \$1,400,000 to \$1,765,000, due to the estimated increased cost for acquisition of real property rights for the Prado Dam Project and design/construction costs for Prado Dam and the remainder of the Lower SAR features. Pursuant to the Corps' latest estimate, 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 the initial estimate of \$206,000 to \$301,400. The COE is also processing a change to Project requirements to include the relocation/protection options of the Santa Ana River Interceptor (SARI) sewage line, which runs through Prado Dam and under the SAR in portions of the SAR Canyon. The current estimated cost for this additional Project requirement is \$100,000.

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 2008, subject to sufficient Federal funding. Landscaping along the SAR in Orange County is underway and is expected to be completed in FY 2008-09, subject to funding. 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 started 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. 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). As of June 30, 2007, the OCFCD has submitted \$221,975 in claims, and received \$138,301 in reimbursements. An additional \$24,748 in claims are in the process of being prepared for submittal to the DWR - for a total of unpaid claims for expenses through June 30, 2007 of about \$108,422. Of the \$108,422, \$29,914 was accrued as revenue in the government-wide financial statements. Once a claim is reviewed and approved by the DWR, 90% of the eligible expenditures can be paid, subject to available funding, 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, due to estimated cost increases that were not initially or fully contemplated in the COE's prior estimates, and because of delays in receiving State Subvention Program reimbursements. If State reimbursements are more promptly received, the OCFCD should be able to complete acquisition of real property and perform relocations and meet its cost share obligations to complete the Project. Therefore, reimbursements on past expense 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 4.5% to reflect anticipated future investment earnings.

All County departments and other governmental agencies authorized by the Board of Supervisors to participate in the Workers' Compensation ISF are charged for their pro-rata share of costs based upon employee classification rates and claims experience. All County departments participate in the Property and Casualty Risk self-insurance program and are charged for their pro-rata share based upon claims experience and actual number of positions from a biweekly County payroll report. 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.

15. SELF-INSURANCE (Continued)

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

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

	<u>Workers' Compensation</u>	<u>Property & Casualty Risk</u>	<u>Health & Other Insurance Benefits</u>	<u>Total</u>
Unpaid Claims, Beginning of FY 2005-06	\$ 96,981	\$ 26,667	\$ 10,863	\$ 134,511
Claims and Changes in Estimates	34,050	10,052	50,218	94,320
Claim Payments	<u>(25,911)</u>	<u>(12,535)</u>	<u>(50,736)</u>	<u>(89,182)</u>
Unpaid Claims, End of FY 2005-06	\$ 105,120	\$ 24,184	\$ 10,345	\$ 139,649
Claims and Changes in Estimates	22,292	17,049	49,202	88,543
Claim Payments	<u>(22,582)</u>	<u>(6,934)</u>	<u>(51,066)</u>	<u>(80,582)</u>
Unpaid Claims, End of FY 2006-07	<u>\$ 104,830</u>	<u>\$ 34,299</u>	<u>\$ 8,481</u>	<u>\$ 147,610</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. Regulatory agencies such as the State Water Board, and the Local Enforcement Agency (LEA), have directed the current property owners to develop corrective action plans and propose long-term landfill gas remediation plans at the sites. Many of these sites are currently owned by different cities within the County. These cities are in the process of implementing the landfill gas mitigations required by the regulatory agencies. 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

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

Refuse Disposal Stations (Continued)

costs could be substantial. At this time no amount has been accrued in the financial statements. 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 – Actively Negotiating Resolution
- *Forster Refuse Disposal Station #17*, Private Owner – Potential Litigation
- *San Joaquin Refuse Disposal Station #13*, University of California, Irvine – Actively Negotiating Resolution
- *La Veta Refuse Disposal Station #2*, City of Orange – Potential Litigation

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 sought 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 \$162 in costs. The judgment is now final, and the County appealed the judgment. The court of appeal affirmed the judgment and, on August 8, 2007, the California Supreme Court rejected the County's petition to review the decision of the court of appeal. Following the appeal, plaintiff claimed an additional \$182 in attorney's fees and \$10 in costs.

On July 1, 2003, plaintiff filed a new complaint (Orange County Superior Court Case (OCSC) No. 03CC00235) against the County challenging Orange County Ordinance 03-011, setting fees for building permits and plan reviews. 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 04CC001664 and 05CC00728, 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 had 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 05CC00728, 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 had been stayed pending the outcome of the appeal.

Plaintiff filed another complaint (Orange County Superior Court Case No. 05-CC00728) against the County for declaratory relief, validation and Petition for Mandate challenging Orange County's Ordinance 05-015 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 04CC001664, 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 had been stayed pending the outcome of the appeal.

On October 11, 2007, the County entered into a settlement agreement with plaintiffs in the above cases. The plaintiff agreed not to oppose the County's filing of return indicating that it complied with terms of the writ of mandate issued in Case Nos. 814037 and 01CC04025, and agreed to support the County's efforts to

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

Barratt American Incorporated, et al. v. County of Orange (Continued)

discharge the writ. The plaintiff further agreed to dismiss its complaints against the County in Case Nos. 03-CC00235, 04-CC001664, and 05-CC00728. As part of the settlement, the County agreed to make \$1,000 available for a low-income housing project development in unincorporated Orange County. The County also agreed to pay plaintiffs' total fees and costs in the amount of \$1,400 in attorney's fees and \$172 in costs; and these amounts have been accrued as a liability in the government-wide financial statements. Per the terms of the settlement, the County will file a return with the trial court in Case Nos. 814037 and 01-CC04025, and request that the trial court discharge the writ of mandate issued against the County.

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 2008 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.

Retired Employees Association of Orange County, Inc. v. County of Orange 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. On November 6, 2007, the County received a copy of a Complaint for Declaratory and Injunctive Relief brought against the County by the Retired Employees Association of Orange County, Inc. The Complaint has been served on the County on November 21, 2007.

The County is presently reviewing the Complaint and is unable to assess the likelihood of success of such litigation. However, should this litigation against the County prove successful, the resulting County liability could have a major financial impact on the County.

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

On October 16, 2007, the County agreed to a settlement with the federal government which will require the County to pay \$7,000 and enter into a 3-year Integrity Agreement. This amount has been accrued as a liability in the government-wide 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, Orange County Superior Court, 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 amortized portion of 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 annually as of December 31, which is the end of the OCERS fiscal year.

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

According to OCERS most recent public report dated December 31, 2006, entities paying into the OCERS, also known as plan sponsors, include the County of Orange, Orange County Transportation Authority (OCTA), 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, Children and Families Commission of Orange County, OCERS, Orange County Local Agency Formation Commission and Orange County Superior Court. The County payments represent approximately 73% of the total plan sponsor payments into OCERS.

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

Funding Policy In accordance with various Board of Supervisors' resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employee contributions and investment income, will fully provide for member benefits by the time they retire. Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. Base employee contributions are calculated using a formula defined in the Retirement Law. In the 1997 Ventura decision of the 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. Orange County employee contributions under current contracts are calculated on base salary, eligible premium pay and some categories of overtime as defined in the 1997 Ventura decision.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Funding Policy (Continued)

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 2006-07, employer's contributions, as a percentage of covered payrolls, were 22.23% for General members, 37.65% for Safety-Law Enforcement members and 33.41% 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.

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 eligible for the benefit formula of 2.7% of the member's "final compensation" for each year of service rendered at age 55. In collective bargaining agreements with General Members, 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 (AFSCME), which represents approximately 860 employees, did not elect the 2.7% at age 55 retirement formula and remain at the previous benefit formulas. The benefit formulas for AFSCME 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.

Actuarial Valuation and Funding Methodology OCERS is funded pursuant to the Entry Age Normal funding method. The actuarial assumptions currently used in valuing the plan include, but are not limited to, (i) an investment return assumption of 7.75%, (ii) a policy to amortize OCERS Unfunded Actuarial Accrued Liability (UAAL) as of December 31, 2004 over a 30-year period on a closed basis, (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. On April 18, 2005 OCERS Board approved a policy to amortize any future benefit plan changes over 15 years on a closed basis. 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 plan sponsors, 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.

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial Valuation and Funding Methodology (Continued)

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, 2005 Actuarial Valuation OCERS December 31, 2005 actuarial valuation (2005 Valuation) was completed by Segal Company. The 2005 Valuation calculated UAAL as of December 31, 2005 as \$2,303,010, an increase from \$2,158,151 as of December 31, 2004. The ratio of the actuarial 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. General Member 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. The employer’s rate developed in the 2005 Valuation reflects the second (and final) year of a 3-year phase-in of the rate increase for OCTA.

December 31, 2006 Actuarial Valuation OCERS December 31, 2006 actuarial valuation (2006 Valuation) was completed by Segal Company. The 2006 Valuation calculated UAAL as of December 31, 2006 as \$2,298,960, a decrease from \$2,303,010 as of December 31, 2005. The ratio of the actuarial value of assets to actuarial accrued liabilities in the 2006 Valuation is 73.77%. The aggregate employer contribution rate in the 2006 Valuation decreased from 24.27% of payroll to 24.01% of payroll beginning July 1, 2008. General Member employee rates, some of which are contributed by the County under existing bargaining agreements, also decreased slightly from that in the 2005 Valuation, from 10.39% of payroll to 10.36% of payroll.

Actuarial and Funding Status The table below presents OCERS actual investment returns for the past five years. Average returns for OCERS over the past five years have been 9.63% per year.

Orange County Employees Retirement System				
Historical Investment Returns				
(Market Value)				
<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
(5.46%)	19.84%	11.40%	8.83%	13.55%
<i>Source: Orange County Employees’ Retirement System Comprehensive Annual Financial Report 2006</i>				

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial and Funding Status (Continued)

The table below shows the changes in OCERS net plan assets (includes all plan sponsors).

Orange County Employees Retirement System Changes in Net Assets			
	Years Ended December 31		
	2004	2005	2006
Contributions Received:			
Employer Contributions	\$ 194,430	\$ 226,130	\$ 277,368
Employee Contributions	81,931	107,544	137,582
Net Investment Gains	568,027	460,431	828,147
Net Securities Lending Income and Other Income	973	1,549	2,053
Participant Benefits	(230,684)	(257,929)	(309,696)
Withdrawals and Refunds	(7,845)	(6,999)	(8,970)
Administrative Expenses	(9,463)	(9,953)	(9,600)
Prepaid Unearned Contributions	-	-	(7,545)
Increases in Plan Net Assets	<u>\$ 597,369</u>	<u>\$ 520,773</u>	<u>\$ 909,339</u>

Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2006

The following table shows the present value of retirement benefits, the actuarial value of plan assets available for retirement benefits, and two indicators of funding progress for OCERS, the funded ratio and the ratio of UAAL to annual covered payroll. As of December 31, 2006, OCERS' actuarial valuation of plan assets still reflected the deferral of approximately \$343,652 in net gains due to the recognition of gains and losses on an actuarial basis over a 5-year "smoothing" period. The County's and OCERS' various plan sponsors' UAAL is aggregated, with the portion allocable to the County as being the largest of the UAAL.

Orange County Employee's Retirement System Schedule of Funding Progress for Years Ended December 31						
Actuarial Valuation as of December 31	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
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 (1)	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%
2006	6,466,085	8,765,045	2,298,960	73.77%	1,322,952	173.78%

(1) 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.

Note: The 12/31/02, 12/31/03, 12/31/04, 12/31/05, and 12/31/06 actuarial value of assets exclude \$143,675, \$143,744, \$155,245, \$158,219, and \$168,224 of the County Investment Account balances respectively.

Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2006

17. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial and Funding Status (Continued)

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, 2007, \$172,705 of such proceeds remains available for future credits to the County's pension obligations.

On January 30, 2006, the County issued its \$105,991 Taxable Pension Obligation Bonds, Series 2006 (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 matured on June 29, 2007. See Note 9, Short-Term Obligations for details. In January 2007, the County issued pension obligation notes in the amount of \$211,065 for the prepayment of FY 2007-08 pension costs. The County received a 7.75% discount. The notes will mature on June 30, 2008. See Note 9, Short-Term Obligations, and Note 3, Deposits and Investments, for additional information.

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

Orange County Employees' Retirement System				
County Contributions				
<u>Year Ended</u>	<u>County Contribution</u>	<u>OCERS Investment Account Contribution</u>	<u>Total Annual Required</u>	<u>Percentage Contributed</u>
06/30/05	\$ 175,119	\$ 7,158	\$ 182,277	100%
06/30/06	201,251	11,596	212,847	100%
06/30/07	223,505	11,000	234,505	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 was closed to new administrative managers included in the Executive Policy Unit effective June 23, 2006. 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, 2007, the plan has 753 active participants and 18 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, 2007 were \$738 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, 2007, the value of plan assets was \$6,204.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

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.

Defined Benefit Retirement Plan

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

The plan was closed to new participants as of February 28, 2002. As of June 30, 2007, the plan consists of 146 active plan participants, 247 terminated plan participants entitled to but not yet receiving benefits, and 21 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% 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 \$970. The annual required contribution is equal to:

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

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

Annual Pension Cost GASB Statement No. 27 requires the County to have an actuarial valuation performed at least biennially to determine the plan's annual pension cost. The plan's annual pension cost was calculated using the data and assets as of June 30, 2006.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Defined Benefit Retirement Plan (Continued)

Annual Pension Cost (Continued)

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 UAAL. Based on the actuarial report dated July 1, 2007, interest on the net pension obligation is \$49.

For the fiscal year ended June 30, 2007, the County's annual required contribution was \$285. 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, 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 UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period is 30 years.

**Orange County Defined Benefit Retirement Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a=c)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
06/30/02	\$ 4,121	\$ 7,035	\$ 2,914	58.6%	\$ 24,192	12.00%
06/30/03	4,655	8,137 (1)	3,482	57.2%	25,160 (2)	13.80%
06/30/04	4,707	8,124	3,417	57.9%	9,306	36.70%
06/30/05	4,387	7,329 (3)	2,942	59.9%	6,112	48.10%
06/30/06	4,612	7,222 (4)	2,610	63.9%	5,318	49.10%
06/30/07	5,051	7,253 (5)	2,202	69.6%	4,730	46.60%

(1) June 30, 2003 Actuarial Accrued Liability based on June 30, 2002 valuation results rolled forward one year

(2) June 30, 2003 Annual Covered Payroll is based on June 30, 2002 valuation results rolled forward one year using salary scale assumption of 4.0%

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

(4) June 30, 2006 Actuarial Accrued Liability based on June 30, 2005 valuation results rolled forward one year

(5) June 30, 2007 Actuarial Accrued Liability based on June 30, 2006 valuation results rolled forward one year

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

	06/30/05	06/30/06	06/30/07
Annual required contribution	\$ 342	\$ 270	\$ 285
Interest on net pension obligation	42	42	49
Adjustment to annual required contribution	(53)	(52)	(58)
Annual pension cost	331	260	276
Contributions made	(342)	(270)	(358)
Increase/Decrease in net pension obligation	(11)	(10)	(82)
Net pension obligation, beginning of year	771	760	750
Net pension obligation, end of year	<u>\$ 760</u>	<u>\$ 750</u>	<u>\$ 668</u>

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Defined Benefit Retirement Plan (Continued)

Annual Pension Cost (Continued)

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
2002	\$ 65	0 %	\$ 166
2003	277	0 %	441
2004	336	0 %	771
2005	342	100 %	760
2006	270	100 %	750
2007	285	126 %	668

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, 2007, there were 2,185 active participants and 290 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.

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 457 Defined Contribution 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 the 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, 2007 were \$704 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.

17. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

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, 2007:

	<u>Total</u>	<u>Extra-Help Defined Benefit Retirement Plan</u>	<u>Extra-Help Defined Contribution Plan</u>	<u>401(a) Defined Contribution Plan</u>
<u>Statements of Net Assets</u>				
Pooled Cash/Investments	\$ 5,011	\$ 5,011	\$ --	\$ --
Restricted Cash and Investments with Trustee	8,596	--	2,392	6,204
Receivables:				
Interest/Dividends	38	38	--	--
Due from Other Governmental Agencies	668	668	--	--
Total Net Assets Held in Trust	<u>\$ 14,313</u>	<u>\$ 5,717</u>	<u>\$ 2,392</u>	<u>\$ 6,204</u>

	<u>Total</u>	<u>Extra-Help Defined Benefit Retirement Plan</u>	<u>Extra-Help Defined Contribution Plan</u>	<u>401(a) Defined Contribution Plan</u>
<u>Statements of Changes in Net Assets</u>				
Additions:				
Contributions to Pension Trust:				
Employer	\$ 1,096	\$ 358	\$ --	\$ 738
Employee	943	239	704	--
Interest and Investment Income	904	250	98	556
Less: Investment Expense	(5)	(5)	--	--
Total Additions	<u>2,938</u>	<u>842</u>	<u>802</u>	<u>1,294</u>
Deductions:				
Benefits Paid to Participants	943	68	561	314
Refunds of Prior Contributions	404	404	--	--
Total Deductions	<u>1,347</u>	<u>472</u>	<u>561</u>	<u>314</u>
Change in Net Assets Held in Trust for Employee's Retirement	1,591	370	241	980
Net Assets Held in Trust at July 1, 2006	<u>12,722</u>	<u>5,347</u>	<u>2,151</u>	<u>5,224</u>
Net Assets Held in Trust at June 30, 2007	<u>\$ 14,313</u>	<u>\$ 5,717</u>	<u>\$ 2,392</u>	<u>\$ 6,204</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 Retiree Medical Plan) to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan is not required by the Retirement Law. On September 12, 2006, September 26, 2006 and October 24, 2006, respectively, the County 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 International Union of Operating Engineers (IUOE) and also amended its Personnel and Salary Resolution with respect to certain unrepresented employees which restructured the Retiree Medical Plan effective June 23, 2006. An Amended and Restated County of Orange Retiree Medical Plan (Amended Retiree Medical Plan) was approved by the Board of Supervisors on June 19, 2007. Under the Amended Retiree Medical Plan, eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered 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 2007 is \$16.67 (absolute dollars) per year of County service, and the maximum monthly Grant is \$416.75 (absolute dollars).

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 on September 12, 2006, September 26, 2006, or October 25, 2006, respectively, will receive no reduction. Current retirees age 64 or younger will receive a 50% reduction once Medicare A and B eligible, but no sooner than 1 year following the respective date the Board of Supervisors approved the labor agreement applicable to them. The Grant is reduced by 7.5% for each year of age prior to age 60 and increased by 7.5% for each year of age after age 60 up to age 70 for current employees retiring after the Board of Supervisors approved the labor agreement applicable to them. Safety employees and disability retirement are exempted from the age adjustment. The base number is adjusted annually based on a formula defined in the Amended Retiree Medical Plan document with a maximum increase/decrease of 5%. The maximum increase/decrease will be reduced to 3% in 2008 and thereafter. As part of the labor agreements approved by the Board of Supervisors, there is also a splitting of the health insurance premium rates between the active and retired employees, thereby eliminating what is known as the implied subsidy.

Employees represented by the American Federation of State, County and Municipal Employees (AFSCME) who retired on or before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who retired after September 30, 2005 are not eligible for the Retiree Medical Plan or Amended Retiree Medical Plan.

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 the Orange County Employees Retirement System (OCERS). The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid 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. 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.

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. For employees under the Amended Retiree Medical Plan, except the Association of Orange County Deputy Sheriffs (AOCDS), the qualifying hours of service is frozen as of June 23, 2006. Employees represented by AFSCME who retired after September 30, 2005 are not eligible for a lump sum benefit payment.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Policy Historically, the County paid Retiree Medical Plan liabilities on a “pay-as-you-go” basis and had not established a permanent funding (reserve) policy for the Retiree Medical Plan. As originally established, the Retiree Medical Plan was funded from a combination of a County contributions and what is referred to as “excess reserves” from OCERS. Excess reserves are earnings above the assumed actuarial rate of return for the OCERS investment portfolio.

In recent years, the Retiree Medical Plan was being challenged from two major areas. First, a cash flow problem developed because excess reserves from OCERS were being depleted and Retiree Medical Plan costs were increasing due to an increased number of participants and cost of living adjustments. To keep the Medical Plan solvent in the short-term, the County directed additional resources to the Retiree Medical Plan and also began making regular contributions to the Retiree Medical Plan equal to 1% of County payroll.

The second challenge relates to the issuance of GASB Statement No. 45 (discussed in Note 1.P.), which created additional reporting requirements for OPEB. GASB Statement No. 45 requires the calculation of “normal” cost plus the cost of amortizing the Unfunded Actuarial Accrued Liability (UAAL) over a 30-year period. Normal cost is the future cost of benefits earned in the current year. The combination of normal cost and the amortization of the OPEB UAAL represent the Annual Required Contribution (ARC). To the extent that the ARC is not fully funded, the shortfall would be reported as a liability on the Statement of Net Assets.

Recognizing significant cost increases for the Retiree Medical Plan and in preparation for the new reporting requirements, the County contracted with an outside actuarial consultant, Bartel Associates, LLC (Bartel) to produce a GASB Statement No. 45 compliant actuarial valuation. In November 2005, the County received a June 30, 2005 Valuation for the County of Orange Retiree Healthcare Plan (the Report).

Actuarial Valuation (Unaudited) 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 UAAL 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 ARC for FY 2005-06 would have been \$125,666.

Based on the Report, Retiree Medical benefit liabilities were estimated as follows (Unaudited):

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

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

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Actuarial Valuation (Unaudited) (Continued)

If the County were to have implemented GASB Statement No. 45 for FY 2005-06, the ARC determined by the Report, which includes the employer normal cost plus a 30-year amortization of the UAAL, 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	<u>\$ (1,415)</u>	<u>\$ 88,496</u>	<u>\$ 38,585</u>	<u>\$ 125,666</u>

With the Amended Retiree Medical Plan, the County intends to implement an employer contribution in an amount equal to the ARC for the effected labor groups. In order to more adequately fund benefits under the Amended Retiree Medical Plan, on June 19, 2007, the County Board of Supervisors adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust. In addition, the County and OCERS have entered into agreements for OCERS to establish an Internal Revenue Code section 401(h) account, invest monies of the 401(h) account and the Trust and to act as paying agent for benefits under the Amended Retiree Medical Plan (except for the lump sum payment).

The County is currently setting aside an employer contribution of 1% for AFSCME and 3.5% of payroll for all of the other settled labor groups, which is the estimated ARC for those groups. As soon as the respective trusts are finalized, the monies which have been set aside will be transferred to the Trust. The County Board of Supervisors has delegated the County Chief Financial Officer as the Trustee for the Trust.

Estimates were prepared by Bartel of the combined impact on the UAAL of separating the health plan premium rate setting between active and retired employees, the Amended Retiree Medical Plan, and the agreement with OCERS using the 401(h) Trust for the General and Probation employees. The updated estimate (not a new actuarial valuation) of the UAAL was a reduction of approximately \$800,000 to approximately \$600,000 (Unaudited).

Retiree Medical Plan Amendments Related to AOCDS In October 2007, the County Board of Supervisors approved and adopted a Memorandum of Understanding (MOU) agreement with AOCDS. AOCDS represents the Peace Officer and Supervising Peace Officer representation unit. The agreement is for a three-year term, from October 2006 through October 2009.

A significant part of the agreement is the restructuring of the Retiree Medical Program for AOCDS and its retired members. The following changes to be made to the Retiree Medical grants for this bargaining unit:

- Reduction in grant cost of living adjustment maximum from 5% to 3% effective January 1, 2008
- Grant accruals frozen
- 1% lump sum payments frozen
- 50% reduction in grant upon Medicare eligibility
- 10% increase in retiree health insurance premiums effective January 1, 2008
- Effective January 1, 2008, or as soon as possible, establishment of Defined Contribution Plans to replace the Retiree Medical grant for new employees, and to supplement the frozen grants for current employees
- Employer contributions to the Defined Contribution Plan effective October 12, 2007
- Mandatory bi-weekly employee contributions to the Defined Contribution Plan effective October 12, 2007
- Mandatory employee deductions to offset the ARC for the amended Retiree Medical grant for current retirees

18. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Retiree Medical Plan Amendments Related to AOCDS (Continued)

It is estimated by Bartel that the impact on the UAAL related to AOCDS of the changes mentioned above, along with the creation of a trust, will result in an additional reduction of approximately \$140,000 (Unaudited).

In summary, following the County Board of Supervisors' approval of the Amended Retiree Medical Plan, the agreement with OCERS for the establishment of the Trust for the General and Probation employees and the AOCDS restructuring of the Retiree Medical Program, the County believes, as estimated by Bartel, that the County's total estimated UAAL for all labor groups combined will be approximately \$460,000 (Unaudited), which approximates to an estimated decrease of \$958,000 (Unaudited) from the June 30, 2005 Valuation amount of \$1,418,692 (Unaudited).

19. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2007:

Labor Agreement In addition to the Retiree Medical Plan Amendments related to the Association of Orange County Deputy Sheriffs (AOCDS) Memorandum of Understanding (MOU) agreement approved by the County Board of Supervisors in October 2007 (see Note 18 – Post-employment Health Care Benefits), the terms of the agreement included general Cost of Living Adjustments (COLA) from October 2006 through October 2009 as follows: 4.75% effective October 2006, 4.60% effective October 2007 and 3% effective October 2008. Additional changes to the agreement included Peace Officer Standards and Training (POST) pay conversion from a flat amount to percentage of base pay, nominal increases in Training Officer and Motorcycle Officer pay, and market adjustments for the District Attorney Investigator classification. Following the approval of the AOCDS agreement, a \$4,652 liability has been accrued in the financial statements.

Teeter Plan On June 29, 1993 the Board of Supervisors adopted the Teeter Plan pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code. The Cities, agencies, districts and taxing areas in Orange County that participate in the Teeter Plan program annually receive the full amount of their share of taxes from the secured property tax roll, whether or not these taxes have been collected. The Teeter Plan provides these participating agencies with stable and timely cash flow without the collection risk, and the County receives the delinquency and redemption penalty amounts when the taxes are paid.

On July 24, 2007, the Board of Supervisors authorized a transfer from the Designated Special Revenue Fund to the Orange County Special Financing Authority (Authority) Debt Service Fund in the amount of \$2,500. This amount, together with Teeter Plan revenues, completed the Authority's purchase of 100% of the tax-defaulted, base secured property tax receivables from the County. Proceeds of this purchase paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

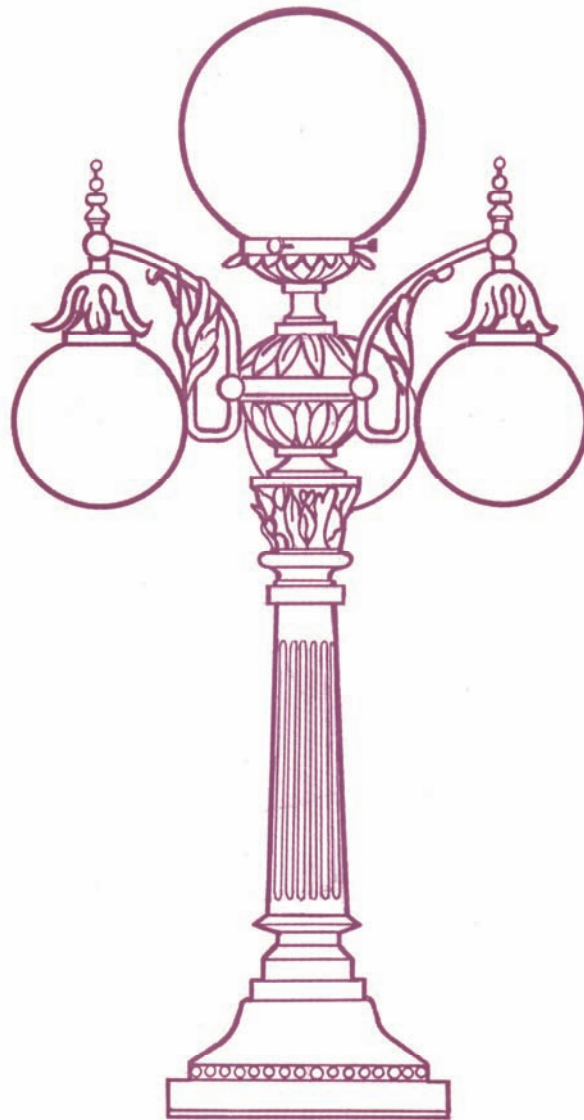
Refund of Preferred Provider Organization (PPO) Reserve The PPO Health Plans, which are reported in the Health and Other Self-Insured Employee Benefits Internal Service Fund (ISF), maintain reserves for claims that have been incurred but not reported (IBNR) and a premium stabilization reserve which serve as a hedge against unfavorable claim fluctuations and to absorb unusually high individual claims which may emerge from time to time. Over the course of several years, the reserve has grown and now exceeds the amounts needed for the IBNR and the premium stabilization reserves. This growth is due to a combination of factors including but not limited to the 2005 health plan design changes, change in the PPO claims administrator and the PPO provider network and discounts. These changes have limited the increase in medical and prescription claims costs and have resulted in an increase in the fund balance.

On September 11, 2007, the Board of Supervisors approved a staff recommendation that the "excess" reserves in the Health and Other Self-Insured Employee Benefits ISF be refunded as a rebate to the original contributors. It is estimated that the amount of the distribution will be \$23,200 and will be refunded to County departments, employees, and retirees. It is anticipated that this refund will take place in early 2008.

19. SUBSEQUENT EVENTS (Continued)

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. On October 4, 2007, the County invested an additional amount of \$9,950 in non-AMT tax-exempt securities which, together with the \$21,000 invested in November 2006 and \$640 of interest equals \$31,590 invested in non-AMT tax-exempt securities.

Supplemental Information



*Light on Judge's Bench in Courtroom of Old Orange County Courthouse
Illustrated by Sandra Heaton, County of Orange Resources and Development Management Department*



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 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 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.

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Health Care Programs

This group of funds is used to account for Board-approved Realignment reserves for health care, Mental Health Services Act revenues, Medi-cal Mental Health Managed Care programs, Medi-Cal Administrative Activities and Targeted Case Management, Bioterrorism preparedness grant funds, Emergency Medical Services allocations, and other purpose-restricted revenues related to health care programs. Revenues consist primarily of State grants and allocations, and Federal grants passed through the State.

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 Special Financing Authority

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

Orange County Public Financing Authority

This fund was established to account for the debt service expenditures for the Orange County Public Financing Authority (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 the cost of issuance of the Series 2005 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.



**COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS**

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
ASSETS					
Pooled Cash/Investments	\$ 496,053	\$ 5,420	\$ 15,944	\$ 1,895	\$ 753
Imprest Cash Funds	8	--	--	--	--
Restricted Cash and Investments with Trustee	469,720	--	--	--	--
Investments	9,120	--	--	--	--
Receivables					
Accounts	991	22	--	--	1
Taxes	26,711	--	--	22	--
Interest/Dividends	3,640	45	121	14	7
Allowance for Uncollectible Receivables	(3)	(2)	--	--	--
Due from Other Funds	19,993	110	2,994	--	14
Due from Other Governmental Agencies	10,643	216	--	--	28
Prepaid Costs	671	--	--	--	--
Land and Improvements Held for Resale	1,255	--	--	--	--
Notes Receivable	30,986	--	12,086	--	1,666
Total Assets	<u>\$ 1,069,788</u>	<u>\$ 5,811</u>	<u>\$ 31,145</u>	<u>\$ 1,931</u>	<u>\$ 2,469</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 3,983	\$ 270	\$ --	\$ 19	\$ --
Salaries and Employee Benefits Payable	1,229	5	--	--	--
Deposits from Others	1,222	649	--	--	--
Due to Other Funds	29,852	77	32	59	17
Due to Other Governmental Agencies	7,984	622	--	--	--
Deferred Revenue	9,820	--	--	9	1,666
Unearned Revenue	6,147	--	--	2	2
Total Liabilities	<u>60,237</u>	<u>1,623</u>	<u>32</u>	<u>89</u>	<u>1,685</u>
Fund Balances					
Reserved for:					
Encumbrances	15,052	49	81	28	66
Long Term Receivable	48,298	--	12,086	--	--
Imprest Cash Funds	8	--	--	--	--
Prepaid Costs	671	--	--	--	--
Land and Improvements Held for Resale	1,255	--	--	--	--
Debt Service	467,593	--	--	--	--
Unreserved, Designated for:					
Operations	29,283	--	--	--	--
Contingencies	22,846	--	--	--	--
Administration Fees	8,988	--	--	--	--
Equipment Purchase	957	--	--	--	--
Revitalization Projects	3,294	--	--	--	--
General Reserve	19,069	--	18,946	10	--
Unreserved, Undesignated for:					
Special Revenue Funds	148,046	4,139	--	1,804	718
Debt Service Funds	17,456	--	--	--	--
Capital Projects Funds	226,723	--	--	--	--
Permanent Fund	12	--	--	--	--
Total Fund Balances	<u>1,009,551</u>	<u>4,188</u>	<u>31,113</u>	<u>1,842</u>	<u>784</u>
Total Liabilities and Fund Balances	<u>\$ 1,069,788</u>	<u>\$ 5,811</u>	<u>\$ 31,145</u>	<u>\$ 1,931</u>	<u>\$ 2,469</u>

Supplemental Information
(Dollar Amounts in Thousands)

Community & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County - Administered Accounts	
\$ 53,192	\$ 20,804	\$ 3,468	\$ 5,463	ASSETS
8	--	--	--	Pooled Cash/Investments
--	--	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
8	--	--	--	Investments
--	--	--	--	Receivables
115	--	23	36	Accounts
--	--	--	--	Taxes
1,101	--	--	--	Interest/Dividends
3,410	--	--	--	Allowance for Uncollectible Receivables
--	--	--	--	Due from Other Funds
145	--	--	--	Due from Other Governmental Agencies
4,881	--	--	--	Prepaid Costs
<u>\$ 62,860</u>	<u>\$ 20,804</u>	<u>\$ 3,491</u>	<u>\$ 5,499</u>	Land and Improvements Held for Resale
				Notes Receivable
				Total Assets
				 LIABILITIES AND FUND BALANCES
\$ 1,213	\$ --	\$ --	\$ --	Liabilities
246	--	--	--	Accounts Payable
2	--	--	--	Salaries and Employee Benefits Payable
2,473	25	--	--	Deposits from Others
--	--	--	--	Due to Other Funds
148	--	--	--	Due to Other Governmental Agencies
--	--	--	--	Deferred Revenue
<u>4,082</u>	<u>25</u>	<u>--</u>	<u>--</u>	Unearned Revenue
				Total Liabilities
				Fund Balances
4,750	--	--	--	Reserved for:
4,881	--	--	--	Encumbrances
8	--	--	--	Long Term Receivable
--	--	--	--	Imprest Cash Funds
145	--	--	--	Prepaid Costs
--	--	--	--	Land and Improvements Held for Resale
2,369	--	--	--	Debt Service
--	--	--	--	Unreserved, Designated for:
--	--	--	1,230	Operations
--	--	--	--	Contingencies
--	--	--	--	Administration Fees
--	--	--	--	Equipment Purchase
--	--	--	--	Revitalization Projects
46,625	20,779	3,491	4,269	General Reserve
--	--	--	--	Unreserved, Undesignated for:
--	--	--	--	Special Revenue Funds
--	--	--	--	Debt Service Funds
--	--	--	--	Capital Projects Funds
<u>58,778</u>	<u>20,779</u>	<u>3,491</u>	<u>5,499</u>	Permanent Fund
				Total Fund Balances
<u>\$ 62,860</u>	<u>\$ 20,804</u>	<u>\$ 3,491</u>	<u>\$ 5,499</u>	Total Liabilities and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue			
	Plan of Adjustment Available Cash	Health Care Programs	Orange County Housing Authority	Other Governmental Resources
ASSETS				
Pooled Cash/Investments	\$ 70	\$ 85,229	\$ 11,699	\$ 29,770
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee Investments	--	--	7,070	--
Receivables				
Accounts	--	299	660	--
Taxes	--	--	--	--
Interest/Dividends	--	656	82	197
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	11,717	1	--	--
Due from Other Governmental Agencies	--	6,017	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Notes Receivable	--	--	8,532	--
Total Assets	<u>\$ 11,787</u>	<u>\$ 92,202</u>	<u>\$ 28,043</u>	<u>\$ 29,967</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ --	\$ --	\$ 1,020	\$ 299
Salaries and Employee Benefits Payable	--	--	931	47
Deposits from Others	--	--	389	--
Due to Other Funds	--	22,002	98	18
Due to Other Governmental Agencies	--	--	27	--
Deferred Revenue	--	--	266	--
Unearned Revenue	--	5,924	--	--
Total Liabilities	<u>--</u>	<u>27,926</u>	<u>2,731</u>	<u>364</u>
Fund Balances				
Reserved for:				
Encumbrances	--	--	39	11
Long Term Receivable	--	--	8,532	--
Imprest Cash Funds	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Debt Service	--	--	--	--
Unreserved, Designated for:				
Operations	--	22,047	--	4,867
Contingencies	--	--	--	20,546
Administration Fees	--	--	7,758	--
Equipment Purchase	--	--	--	957
Revitalization Projects	--	--	--	--
General Reserve	--	--	--	--
Unreserved, Undesignated for:				
Special Revenue Funds	11,787	42,229	8,983	3,222
Debt Service Funds	--	--	--	--
Capital Projects Funds	--	--	--	--
Permanent Fund	--	--	--	--
Total Fund Balances	<u>11,787</u>	<u>64,276</u>	<u>25,312</u>	<u>29,603</u>
Total Liabilities and Fund Balances	<u>\$ 11,787</u>	<u>\$ 92,202</u>	<u>\$ 28,043</u>	<u>\$ 29,967</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
\$ 42,816	\$ --	\$ 342	\$ 1,846	\$ --
--	--	--	--	--
3,004	3,295	202,517	121,637	121,101
--	--	--	--	--
424	--	--	26,265	--
298	--	3	532	--
--	--	--	--	--
--	--	--	--	--
--	--	--	671	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 46,542</u>	<u>\$ 3,295</u>	<u>\$ 202,862</u>	<u>\$ 150,951</u>	<u>\$ 121,101</u>

ASSETS

Pooled Cash/Investments
Imprest Cash Funds
Restricted Cash and Investments with Trustee
Investments
Receivables
Accounts
Taxes
Interest/Dividends
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

LIABILITIES AND FUND BALANCES

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

Fund Balances

Reserved for:

Encumbrances
Long Term Receivable
Imprest Cash Funds
Prepaid Costs
Land and Improvements Held for Resale
Debt Service

Unreserved, Designated for:

Operations
Contingencies
Administration Fees
Equipment Purchase
Revitalization Projects
General Reserve

Unreserved, Undesignated for:

Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Permanent Fund
Total Fund Balances

\$ --	\$ --	\$ --	\$ 49	\$ --
--	--	--	--	--
--	--	--	--	--
4,718	--	2	--	--
7,335	--	--	--	--
443	--	--	7,287	--
219	--	--	--	--
<u>12,715</u>	<u>--</u>	<u>2</u>	<u>7,336</u>	<u>--</u>
--	--	--	--	--
--	--	--	18,978	--
--	--	--	--	--
--	--	--	671	--
--	--	--	--	--
33,827	3,295	185,645	123,725	121,101
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>33,827</u>	<u>3,295</u>	<u>202,860</u>	<u>143,615</u>	<u>121,101</u>
<u>\$ 46,542</u>	<u>\$ 3,295</u>	<u>\$ 202,862</u>	<u>\$ 150,951</u>	<u>\$ 121,101</u>

Total Liabilities
and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Capital Projects			Permanent Fund
	Criminal Justice Facilities	Redevelopment Agency	Special Assessment Districts, Community Facilities Districts & Service Areas	Regional Park Endowment
ASSETS				
Pooled Cash/Investments	\$ 54,723	\$ 33,715	\$ 128,624	\$ 280
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	11,096	--
Investments	--	--	9,120	--
Receivables				
Accounts	--	1	--	--
Taxes	--	--	--	--
Interest/Dividends	330	245	934	2
Allowance for Uncollectible Receivables	--	(1)	--	--
Due from Other Funds	--	4,056	--	--
Due from Other Governmental Agencies	972	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	1,110	--	--
Notes Receivable	--	3,821	--	--
Total Assets	<u>\$ 56,025</u>	<u>\$ 42,947</u>	<u>\$ 149,774</u>	<u>\$ 282</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 723	\$ --	\$ 390	\$ --
Salaries and Employee Benefits Payable	--	--	--	--
Deposits from Others	--	25	--	157
Due to Other Funds	21	210	100	--
Due to Other Governmental Agencies	--	--	--	--
Deferred Revenue	1	--	--	--
Unearned Revenue	--	--	--	--
Total Liabilities	<u>745</u>	<u>235</u>	<u>490</u>	<u>157</u>
Fund Balances				
Reserved for:				
Encumbrances	7,067	2,961	--	--
Long Term Receivable	--	3,821	--	--
Imprest Cash Funds	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	1,110	--	--
Debt Service	--	--	--	--
Unreserved, Designated for:				
Operations	--	--	--	--
Contingencies	--	--	2,300	--
Administration Fees	--	--	--	--
Equipment Purchase	--	--	--	--
Revitalization Projects	--	3,294	--	--
General Reserve	--	--	--	113
Unreserved, Undesignated for:				
Special Revenue Funds	--	--	--	--
Debt Service Funds	--	--	--	--
Capital Projects Funds	48,213	31,526	146,984	--
Permanent Fund	--	--	--	12
Total Fund Balances	<u>55,280</u>	<u>42,712</u>	<u>149,284</u>	<u>125</u>
Total Liabilities and Fund Balances	<u>\$ 56,025</u>	<u>\$ 42,947</u>	<u>\$ 149,774</u>	<u>\$ 282</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

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

	Total Nonmajor Governmental Funds	Special Revenue			
		Parking Facilities	Redevelopment Agency	Service Area, Lighting & Maintenance Districts	Other Environmental Management
Revenues					
Taxes	\$ 25,584	\$ --	\$ --	\$ 443	\$ --
Licenses, Permits, and Franchises	880	17	--	--	--
Fines, Forfeitures and Penalties	22,274	--	--	--	9
Use of Money and Property	63,678	7,322	1,164	118	351
Intergovernmental	193,694	1,510	--	4	366
Charges for Services	5,517	214	--	22	60
Other	11,129	15	127	1	128
Total Revenues	322,756	9,078	1,291	588	914
Expenditures					
Current					
General Government	31,248	--	--	--	269
Public Protection	15	--	--	--	15
Public Ways and Facilities	6,039	6,039	--	--	--
Health and Sanitation	1,211	--	--	--	--
Public Assistance	125,996	--	316	--	--
Recreation and Cultural Services	276	--	--	276	--
Capital Outlay	40,209	--	--	571	--
Debt Service					
Principal Retirement	65,391	--	--	--	--
Interest	36,193	--	--	--	--
Debt Issuance Costs	536	--	--	--	--
Total Expenditures	307,114	6,039	316	847	284
Excess (Deficit) of Revenues Over Expenditures	15,642	3,039	975	(259)	630
Other Financing Sources (Uses)					
Transfers In	153,958	2,201	4,754	--	--
Transfers Out	(104,527)	(3,970)	(1,550)	--	(593)
Bonds Issued	32,700	--	--	--	--
Premiums on Bonds Issued	2,140	--	--	--	--
Total Other Financing Sources (Uses)	84,271	(1,769)	3,204	--	(593)
Net Change in Fund Balances	99,913	1,270	4,179	(259)	37
Fund Balances - Beginning of Year	909,638	2,918	26,934	2,101	747
Fund Balances - End of Year	\$ 1,009,551	\$ 4,188	\$ 31,113	\$ 1,842	\$ 784

Supplemental Information
(Dollar Amounts in Thousands)

Community & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County- Administered Accounts	
\$ --	\$ --	\$ --	\$ --	Revenues
863	--	--	--	Taxes
--	--	--	--	Licenses, Permits, and Franchises
2,392	1,293	183	287	Fines, Forfeitures and Penalties
33,498	--	--	--	Use of Money and Property
4,386	--	--	--	Intergovernmental
1,075	--	--	--	Charges for Services
<u>42,214</u>	<u>1,293</u>	<u>183</u>	<u>287</u>	Other
				Total Revenues
				Expenditures
				Current
--	25	3	5	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
20,384	--	--	--	Public Assistance
--	--	--	--	Recreation and Cultural Services
1,232	--	--	--	Capital Outlay
				Debt Service
626	--	--	--	Principal Retirement
205	--	--	--	Interest
--	--	--	--	Debt Issuance Costs
<u>22,447</u>	<u>25</u>	<u>3</u>	<u>5</u>	Total Expenditures
				Excess (Deficit) of Revenues
19,767	1,268	180	282	Over Expenditures
				Other Financing Sources (Uses)
14,725	3,058	--	--	Transfers In
(43,734)	(9,089)	--	--	Transfers Out
--	--	--	--	Bonds Issued
--	--	--	--	Premiums on Bonds Issued
<u>(29,009)</u>	<u>(6,031)</u>	<u>--</u>	<u>--</u>	Total Other Financing Sources (Uses)
				Net Change in Fund Balances
(9,242)	(4,763)	180	282	
68,020	25,542	3,311	5,217	Fund Balances - Beginning of Year
<u>\$ 58,778</u>	<u>\$ 20,779</u>	<u>\$ 3,491</u>	<u>\$ 5,499</u>	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	Health Care Programs	Orange County Housing Authority	Other Governmental Resources
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	--	5,456	--	--
Use of Money and Property	67	4,302	957	1,605
Intergovernmental	--	53,165	102,253	2,572
Charges for Services	--	768	--	67
Other	--	452	8,118	20
Total Revenues	<u>67</u>	<u>64,143</u>	<u>111,328</u>	<u>4,264</u>
Expenditures				
Current				
General Government	6,788	--	--	4,136
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	1,211	--	--
Public Assistance	--	--	105,296	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	--	--	69	475
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Debt Issuance Costs	--	--	--	--
Total Expenditures	<u>6,788</u>	<u>1,211</u>	<u>105,365</u>	<u>4,611</u>
Excess (Deficit) of Revenues Over Expenditures	(6,721)	62,932	5,963	(347)
Other Financing Sources (Uses)				
Transfers In	11,717	32,729	--	571
Transfers Out	(18)	(31,385)	(300)	(599)
Bonds Issued	--	--	--	--
Premiums on Bonds Issued	--	--	--	--
Total Other Financing Sources (Uses)	<u>11,699</u>	<u>1,344</u>	<u>(300)</u>	<u>(28)</u>
Net Change in Fund Balances	4,978	64,276	5,663	(375)
Fund Balances - Beginning of Year	6,809	--	19,649	29,978
Fund Balances - End of Year	<u>\$ 11,787</u>	<u>\$ 64,276</u>	<u>\$ 25,312</u>	<u>\$ 29,603</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	
\$ 25,141	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
32	--	--	7,733	--	Licenses, Permits, and Franchises
2,113	205	15,252	6,171	6,111	Fines, Forfeitures and Penalties
311	--	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental
46	--	--	--	--	Charges for Services
<u>27,643</u>	<u>205</u>	<u>15,252</u>	<u>13,904</u>	<u>6,111</u>	Other
					Total Revenues
					Expenditures
					Current
11,196	--	22	6,667	2,137	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	--	--	--	--	Public Assistance
--	--	--	--	--	Recreation and Cultural Services
--	--	--	--	--	Capital Outlay
1,965	927	9,823	--	52,050	Debt Service
3,196	1,678	5,042	4,416	21,656	Principal Retirement
--	--	--	--	536	Interest
<u>16,357</u>	<u>2,605</u>	<u>14,887</u>	<u>11,083</u>	<u>76,379</u>	Debt Issuance Costs
					Total Expenditures
11,286	(2,400)	365	2,821	(70,268)	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
1,550	2,400	--	--	70,051	Transfers In
(6,204)	--	--	--	(2,843)	Transfers Out
--	--	--	--	32,700	Bonds Issued
--	--	--	--	2,140	Premiums on Bonds Issued
<u>(4,654)</u>	<u>2,400</u>	<u>--</u>	<u>--</u>	<u>102,048</u>	Total Other Financing Sources (Uses)
					Net Change in Fund Balances
6,632	--	365	2,821	31,780	
27,195	3,295	202,495	140,794	89,321	Fund Balances - Beginning of Year
<u>\$ 33,827</u>	<u>\$ 3,295</u>	<u>\$ 202,860</u>	<u>\$ 143,615</u>	<u>\$ 121,101</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
Revenues				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--
Fines, Forfeitures and Penalties	9,044	--	--	--
Use of Money and Property	3,043	2,098	8,629	15
Intergovernmental	15	--	--	--
Charges for Services	--	--	--	--
Other	691	420	36	--
Total Revenues	<u>12,793</u>	<u>2,518</u>	<u>8,665</u>	<u>15</u>
Expenditures				
Current				
General Government	--	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	6,984	3,353	27,525	--
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Debt Issuance Costs	--	--	--	--
Total Expenditures	<u>6,984</u>	<u>3,353</u>	<u>27,525</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	5,809	(835)	(18,860)	15
Other Financing Sources (Uses)				
Transfers In	8,752	1,450	--	--
Transfers Out	(4,242)	--	--	--
Bonds Issued	--	--	--	--
Premiums on Bonds Issued	--	--	--	--
Total Other Financing Sources (Uses)	<u>4,510</u>	<u>1,450</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	10,319	615	(18,860)	15
Fund Balances - Beginning of Year	44,961	42,097	168,144	110
Fund Balances - End of Year	<u>\$ 55,280</u>	<u>\$ 42,712</u>	<u>\$ 149,284</u>	<u>\$ 125</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Parking Facilities								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 2,796	\$ --	\$ 2,796	\$ 2,714	\$ (82)		
Charges for Services		312	--	312	214	(98)		
Other Revenues		17	--	17	15	(2)		
Transfers In		2,200	--	2,200	2,201	1		
Total Revenues and Other Financing Sources		5,325	--	5,325	5,144	(181)		
Expenditures/Encumbrances and Other Financing Uses								
Public Ways and Facilities:								
Parking Facilities	\$ 30	5,858	200	6,088	3,366	2,722	\$ 41	\$ 2,681
Total Expenditures/Encumbrances and Other Financing Uses	30	5,858	200	6,088	3,366	2,722	41	2,681
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(30)	(533)	(200)	(763)	1,778	\$ 2,541		
Fund Balances - Beginning of Year	--	533	--	533	755			
Cancellation of Reserves/Designations	--	--	--	--	(1,568)			
Fund Balance Reserved for Encumbrances	30	--	--	30	41			
Provisions for Reserves and/or Designations	--	--	200	200	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 1,006			
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 620	\$ --	\$ 620	\$ 1,164	\$ 544		
Other Revenues		--	--	--	127	127		
Transfers In		5,405	--	5,405	4,754	(651)		
Total Revenues and Other Financing Sources		6,025	--	6,025	6,045	20		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 116	18,402	4,641	23,159	1,866	21,293	\$ 81	\$ 21,212
Total Expenditures/Encumbrances and Other Financing Uses	116	18,402	4,641	23,159	1,866	21,293	81	21,212
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(116)	(12,377)	(4,641)	(17,134)	4,179	\$ 21,313		
Fund Balances - Beginning of Year	--	12,377	--	12,377	26,934			
Cancellation of Reserves/Designations	--	--	--	--	(31,113)			
Fund Balance Reserved for Encumbrances	116	--	--	116	81			
Provisions for Reserves and/or Designations	--	--	4,641	4,641	31,032			
Fund Balance - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 31,113			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Service Area, Lighting and Maintenance Districts								
Revenues								
Taxes		\$ 444	\$ --	\$ 444	\$ 443	\$ (1)		
Use of Money and Property		60	--	60	118	58		
Intergovernmental Revenues		4	--	4	4	--		
Charges for Services		22	--	22	22	--		
Other Revenues		1	--	1	1	--		
Total Revenues		<u>531</u>	<u>--</u>	<u>531</u>	<u>588</u>	<u>57</u>		
Expenditures/Encumbrances								
Recreation and Cultural Services:								
North Tustin Landscaping and Lighting Assessment District	\$ 56	2,158	222	2,436	803	1,633	\$ 16	\$ 1,617
County Service Area No. 13 - La Mirada	--	5	1	6	5	1	--	1
County Service Area No. 20 - La Habra	--	10	108	118	1	117	--	117
County Service Area No. 22 - East Yorba Linda	2	59	6	67	38	29	12	17
Total Expenditures/Encumbrances	<u>58</u>	<u>2,232</u>	<u>337</u>	<u>2,627</u>	<u>847</u>	<u>1,780</u>	<u>\$ 28</u>	<u>\$ 1,752</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	(58)	(1,701)	(337)	(2,096)	(259)	<u>\$ 1,837</u>		
Fund Balances - Beginning of Year	--	1,700	--	1,700	2,101			
Cancellation of Reserves/Designations	--	1	--	1	(38)			
Fund Balance Reserved for Encumbrances	58	--	--	58	28			
Provisions for Reserves and/or Designations	--	--	337	337	10			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,842</u>			

County of Orange
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 For the Year Ended June 30, 2007

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
<u>Other Environmental Management</u>								
Revenues								
Fines, Forfeitures and Penalties		\$ 5	\$ --	\$ 5	\$ 9	\$ 4		
Use of Money and Property		305	--	305	351	46		
Intergovernmental Revenues		197	--	197	366	169		
Charges for Services		80	--	80	60	(20)		
Other Revenues		106	--	106	128	22		
Total Revenues		<u>693</u>	<u>--</u>	<u>693</u>	<u>914</u>	<u>221</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Real Estate Development Program	\$ 43	412	55	510	412	98	\$ 41	\$ 57
Air Quality Improvement	--	618	61	679	358	321	25	296
Public Protection:								
Fish and Game Propagation	--	6	7	13	12	1	--	1
Survey Monument Preservation	--	83	104	187	14	173	--	173
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	76	11	87	81	6	--	6
Total Expenditures/Encumbrances and Other Financing Uses	<u>43</u>	<u>1,195</u>	<u>238</u>	<u>1,476</u>	<u>877</u>	<u>599</u>	<u>\$ 66</u>	<u>\$ 533</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(43)	(502)	(238)	(783)	37	<u>\$ 820</u>		
Fund Balances - Beginning of Year	--	502	--	502	747			
Cancellation of Reserves/Designations	--	--	--	--	(66)			
Fund Balance Reserved for Encumbrances	43	--	--	43	66			
Provisions for Reserves and/or Designations	--	--	238	238	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 784</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Community and Welfare Services								
Revenues and Other								
Financing Sources								
Licenses, Permits, and Franchises		\$ 802	\$ --	\$ 802	\$ 863	\$ 61		
Use of Money and Property		1,133	--	1,133	2,392	1,259		
Intergovernmental Revenues		55,871	3,238	59,109	33,498	(25,611)		
Charges for Services		4,297	83	4,380	4,386	6		
Other Revenues		853	500	1,353	1,075	(278)		
Transfers In		7,385	8,053	15,438	14,725	(713)		
Total Revenues and Other Financing Sources		<u>70,341</u>	<u>11,874</u>	<u>82,215</u>	<u>56,939</u>	<u>(25,276)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Dispute Resolution Program	\$ --	808	(3)	805	672	133	\$ --	\$ 133
Domestic Violence Program	4	1,029	(10)	1,023	836	187	1	186
District Community Priorities and Projects	--	--	5,000	5,000	658	4,342	--	4,342
Facilities Development and Maintenance	10	9,295	5,451	14,756	1,607	13,149	820	12,329
Workforce Investment Act	2,446	13,777	(1,170)	15,053	9,651	5,402	1,729	3,673
County Executive Office - Single Family Housing	--	2,228	(535)	1,693	3	1,690	--	1,690
Housing and Community Services	2,441	38,255	422	41,118	8,592	32,526	1,751	30,775
Strategic Priority Affordable Housing	--	2,690	(2,462)	228	79	149	--	149
In-Home Support Services								
Public Authority	3	778	133	914	709	205	6	199
HGI Bio Tech Grant	--	1,000	(10)	990	325	665	443	222
SSA Donations and Fees	--	3,603	1,899	5,502	2,299	3,203	--	3,203
SSA Wraparound	--	14,061	8,917	22,978	8,855	14,123	--	14,123
CalHome Program Reuse Fund	--	323	(81)	242	64	178	--	178
SARC Lease Conveyance	--	1,439	--	1,439	3	1,436	--	1,436
Total Expenditures/Encumbrances and Other Financing Uses	<u>4,904</u>	<u>89,286</u>	<u>17,551</u>	<u>111,741</u>	<u>34,353</u>	<u>77,388</u>	<u>\$ 4,750</u>	<u>\$ 72,638</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	<u>(4,904)</u>	<u>(18,945)</u>	<u>(5,677)</u>	<u>(29,526)</u>	<u>22,586</u>	<u>\$ 52,112</u>		
Fund Balances - Beginning of Year	--	20,817	--	20,817	36,192			
Cancellation of Reserves/Designations	--	--	--	--	(12,153)			
Fund Balance Reserved for Encumbrances	4,904	--	--	4,904	4,750			
Provisions for Reserves and/or Designations	--	(1,872)	5,677	3,805	7,403			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 58,778</u>			

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Designated Special								
Revenue								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ --	\$ --	\$ --	\$ 1,293	\$ 1,293		
Transfers In		2,508	525	3,033	3,058	25		
Total Revenues and Other Financing Sources		<u>2,508</u>	<u>525</u>	<u>3,033</u>	<u>4,351</u>	<u>1,318</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Designated Special								
Revenue	\$ --	28,559	16	28,575	9,114	19,461	\$ --	\$ 19,461
Total Expenditures/Encumbrances and Other Financing Uses	--	28,559	16	28,575	9,114	19,461	\$ --	\$ 19,461
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(26,051)	509	(25,542)	(4,763)	<u>\$ 20,779</u>		
Fund Balances - Beginning of Year	--	26,051	--	26,051	25,542			
Provisions for Reserves and/or Designations	--	--	(509)	(509)	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,779</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, 2006						Budget	Adjustments
Recovery Certificates of Participation								
Revenues								
Use of Money and Property		\$ 40	\$ --	\$ 40	\$ 183	\$ 143		
Total Revenues		<u>40</u>	<u>--</u>	<u>40</u>	<u>183</u>	<u>143</u>		
Expenditures/Encumbrances								
General Government:								
1996 Recovery Certificates of								
Participation, Series A	\$ --	3,291	70	3,361	3	3,358	\$ --	\$ 3,358
Total Expenditures/Encumbrances	<u>--</u>	<u>3,291</u>	<u>70</u>	<u>3,361</u>	<u>3</u>	<u>3,358</u>	<u>\$ --</u>	<u>\$ 3,358</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(3,251)	(70)	(3,321)	180	<u>\$ 3,501</u>		
Fund Balances - Beginning of Year	--	3,251	--	3,251	3,311			
Provisions for Reserves and/or Designations	--	--	70	70	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,491</u>			
Schedule 1 County-Administered								
Accounts								
Revenues								
Use of Money and Property		\$ 98	\$ --	\$ 98	\$ 287	\$ 189		
Total Revenues		<u>98</u>	<u>--</u>	<u>98</u>	<u>287</u>	<u>189</u>		
Expenditures/Encumbrances								
General Government:								
Litigation Reserve - Escrow								
AG FTCl	\$ --	194	4	198	--	198	--	198
Indemnification Reserve	--	2	1	3	1	2	--	2
Litigation Reserve	--	3,828	72	3,900	4	3,896	--	3,896
Total Expenditures/Encumbrances	<u>--</u>	<u>4,024</u>	<u>77</u>	<u>4,101</u>	<u>5</u>	<u>4,096</u>	<u>\$ --</u>	<u>\$ 4,096</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(3,926)	(77)	(4,003)	282	<u>\$ 4,285</u>		
Fund Balances - Beginning of Year	--	3,961	--	3,961	5,217			
Cancellation of Reserves/Designations	--	--	--	--	(1,230)			
Provisions for Reserves and/or Designations	--	(35)	77	42	1,230			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,499</u>			

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Plan of Adjustment								
Available Cash								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 51	\$ --	\$ 51	\$ 67	\$ 16		
Transfers In		8,782	2,998	11,780	11,717	(63)		
Total Revenues and Other Financing Sources		8,833	2,998	11,831	11,784	(47)		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Option B Pool Participants'								
Registered Warrants	\$ --	17	1	18	18	--	--	--
Class B-27 Registered Warrants	--	32	--	32	--	32	--	32
Recovery Plan of Adjustment Available Cash	--	8,852	9,739	18,591	6,788	11,803	--	11,803
Total Expenditures/Encumbrances and Other Financing Uses	--	8,901	9,740	18,641	6,806	11,835	\$ --	\$ 11,835
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(68)	(6,742)	(6,810)	4,978	\$ 11,788		
Fund Balances - Beginning of Year Provisions for Reserves and/or Designations	--	68	--	68	6,809	--		
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 11,787			
Health Care Programs								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ 6,586	\$ --	\$ 6,586	\$ 5,456	\$ (1,130)		
Use of Money and Property		570	282	852	4,302	3,450		
Intergovernmental Revenues		33,043	(460)	32,583	53,164	20,581		
Charges for Services		475	--	475	768	293		
Other Revenues		150	--	150	452	302		
Transfers In		--	1,000	1,000	1,016	16		
Total Revenues and Other Financing Sources		40,824	822	41,646	65,158	23,512		
Expenditures/Encumbrances and Other Financing Uses								
Health and Sanitation:								
Medi-Cal Administrative Activities								
Targeted Case Management	\$ --	7,744	--	7,744	1,407	6,337	\$ --	\$ 6,337
Emergency Medical Services	--	6,687	(34)	6,653	5,406	1,247	--	1,247
HCA Purpose Restricted Revenues	--	2,874	351	3,225	1,150	2,075	--	2,075
HCA Interest Bearing Purpose Restricted Revenue	--	30	1,407	1,437	1,424	13	--	13
HCA Realignment	--	2,500	--	2,500	690	1,810	--	1,810
Mental Health Services Act	--	40,100	(14,484)	25,616	18,582	7,034	--	7,034
Bioterrorism Center for Disease Control	--	3,966	452	4,418	3,937	481	--	481
Total Expenditures/Encumbrances and Other Financing Uses	--	63,901	(12,308)	51,593	32,596	18,997	\$ --	\$ 18,997
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(23,077)	13,130	(9,947)	32,562	\$ 42,509		
Fund Balances - Beginning of Year Cancellation of Reserves/Designations Provisions for Reserves and/or Designations	--	26,459	--	26,459	31,714	(22,047)		
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 64,276			

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Orange County								
Housing Authority								
Revenues								
Use of Money and Property		\$ 240	\$ --	\$ 240	\$ 880	\$ 640		
Other Revenues		205	--	205	38	(167)		
Total Revenues		<u>445</u>	<u>--</u>	<u>445</u>	<u>918</u>	<u>473</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 39	1,822	3,457	5,318	1,439	3,879	39	3,840
Total Expenditures/Encumbrances and Other Financing Uses	<u>39</u>	<u>1,822</u>	<u>3,457</u>	<u>5,318</u>	<u>1,439</u>	<u>3,879</u>	<u>\$ 39</u>	<u>\$ 3,840</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses	(39)	(1,377)	(3,457)	(4,873)	(521)	<u>\$ 4,352</u>		
Fund Balances - Beginning of Year	--	1,377	--	1,377	20,737			
Cancellation of Reserves/Designations	--	--	--	--	(16,329)			
Fund Balance Reserved for Encumbrances	39	--	--	39	39			
Provisions for Reserves and/or Designations	--	--	3,457	3,457	16,290			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,216</u>			
Other Governmental Resources								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,221	\$ --	\$ 1,221	\$ 1,605	\$ 384		
Intergovernmental Revenues		2,916	(416)	2,500	2,572	72		
Charges for Services		55	--	55	67	12		
Other Revenues		12	--	12	20	8		
Transfers In		--	--	--	1	1		
Total Revenues and Other Financing Sources		<u>4,204</u>	<u>(416)</u>	<u>3,788</u>	<u>4,265</u>	<u>477</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Remittance Processing								
Equipment Replacement	\$ --	102	662	764	612	152	--	152
Property Tax Administration								
State Grant	20	4,339	--	4,359	3,840	519	11	508
Assessor Property Characteristic	--	80	--	80	33	47	--	47
Revenue Neutrality Trust	--	775	--	775	587	188	--	188
Deferred Compensation								
Reimbursement - CEO	--	2,065	5	2,070	138	1,932	--	1,932
Total Expenditures/Encumbrances and Other Financing Uses	<u>20</u>	<u>7,361</u>	<u>667</u>	<u>8,048</u>	<u>5,210</u>	<u>2,838</u>	<u>\$ 11</u>	<u>\$ 2,827</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(20)	(3,157)	(1,083)	(4,260)	(945)	<u>\$ 3,315</u>		
Fund Balances - Beginning of Year	--	5,317	--	5,317	30,548			
Cancellation of Reserves/Designations	--	1,870	--	1,870	(26,381)			
Fund Balance Reserved for Encumbrances	20	--	--	20	11			
Provisions for Reserves and/or Designations	--	(4,030)	1,083	(2,947)	26,370			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 29,603</u>			

County of Orange
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**BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2007
 (In Thousands)**

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Redevelopment Agency Bonds								
Revenues and Other								
Financing Sources								
Taxes		\$ 24,296	\$ --	\$ 24,296	\$ 25,141	\$ 845		
Fines, Forfeitures and Penalties		19	--	19	32	13		
Use of Money and Property		927	--	927	2,113	1,186		
Intergovernmental Revenues		287	--	287	311	24		
Other Revenues		30	--	30	46	16		
Transfers In		1,550	--	1,550	1,550	--		
Total Revenues and Other Financing Sources		27,109	--	27,109	29,193	2,084		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Development								
Agency Debt Service - Santa Ana Heights	\$ --	14,163	699	14,862	8,528	6,334	\$ --	\$ 6,334
Orange County Development								
Agency - Neighborhood Development and Preservation Project, Debt Service	--	26,836	2,947	29,783	14,033	15,750	--	15,750
Total Expenditures/Encumbrances and Other Financing Uses	--	40,999	3,646	44,645	22,561	22,084	\$ --	\$ 22,084
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(13,890)	(3,646)	(17,536)	6,632	\$ 24,168		
Fund Balances - Beginning of Year	--	6,337	--	6,337	27,195			
Cancellation of Reserves/Designations	--	7,553	--	7,553	(33,827)			
Provisions for Reserves and/or Designations	--	--	3,646	3,646	33,827			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 33,827			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2006						Budget	Adjustments
Pension Obligation Bonds								
Revenues								
Use of Money and Property		\$ 8,206	\$ --	\$ 8,206	\$ 15,252	\$ 7,046		
Total Revenues		<u>8,206</u>	<u>--</u>	<u>8,206</u>	<u>15,252</u>	<u>7,046</u>		
Expenditures/Encumbrances								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	15,332	(1)	15,331	14,887	444	\$ --	\$ 444
Total Expenditures/Encumbrances	<u>--</u>	<u>15,332</u>	<u>(1)</u>	<u>15,331</u>	<u>14,887</u>	<u>444</u>	<u>\$ --</u>	<u>\$ 444</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(7,126)	1	(7,125)	365	<u>\$ 7,490</u>		
Fund Balances - Beginning of Year	--	287	--	287	202,495			
Cancellation of Reserves/Designations	--	6,839	--	6,839	(185,645)			
Provisions for Reserves and/or Designations	--	--	(1)	(1)	185,645			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 202,860</u>			
Orange County Special								
Financing Authority								
Revenues								
Fines, Forfeitures and Penalties		\$ 36,799	\$ --	\$ 36,799	\$ 7,733	\$ (29,066)		
Use of Money and Property		<u>3,586</u>	<u>--</u>	<u>3,586</u>	<u>6,171</u>	<u>2,585</u>		
Total Revenues		<u>40,385</u>	<u>--</u>	<u>40,385</u>	<u>13,904</u>	<u>(26,481)</u>		
Expenditures/Encumbrances								
General Government:								
Orange County Special								
Financing Authority	\$ --	82,312	1	82,313	11,083	71,230	\$ --	\$ 71,230
Total Expenditures/Encumbrances	<u>--</u>	<u>82,312</u>	<u>1</u>	<u>82,313</u>	<u>11,083</u>	<u>71,230</u>	<u>\$ --</u>	<u>\$ 71,230</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(41,927)	(1)	(41,928)	2,821	<u>\$ 44,749</u>		
Fund Balances - Beginning of Year	--	22,741	--	22,741	140,794			
Cancellation of Reserves/Designations	--	19,186	--	19,186	(143,374)			
Provisions for Reserves and/or Designations	--	--	1	1	143,374			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 143,615</u>			

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Criminal Justice Facilities								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ 6,800	\$ 135	\$ 6,935	\$ 9,044	\$ 2,109		
Use of Money and Property		1,141	46	1,187	3,043	1,856		
Intergovernmental Revenues		--	--	--	15	15		
Other Revenues		1,005	--	1,005	691	(314)		
Transfers In		14,917	1,018	15,935	8,752	(7,183)		
Total Revenues and Other Financing Sources		<u>23,863</u>	<u>1,199</u>	<u>25,062</u>	<u>21,545</u>	<u>(3,517)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$ 404	10,368	928	11,700	4,033	7,667	\$ 3,165	\$ 4,502
Courthouse Temporary Construction	--	4,254	484	4,738	4,469	269	--	269
Sheriff-Coroner Construction and Facility Development	3,337	48,451	(140)	51,648	2,392	49,256	2,896	46,360
Theo Lacy Jail Construction	247	1,761	8	2,016	332	1,684	1,006	678
Total Expenditures/Encumbrances and Other Financing Uses	<u>3,988</u>	<u>64,834</u>	<u>1,280</u>	<u>70,102</u>	<u>11,226</u>	<u>58,876</u>	<u>\$ 7,067</u>	<u>\$ 51,809</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(3,988)	(40,971)	(81)	(45,040)	10,319	<u>\$ 55,359</u>		
Fund Balances - Beginning of Year	--	40,971	--	40,971	44,961			
Cancellation of Reserves/Designations	--	--	--	--	(7,067)			
Fund Balance Reserved for Encumbrances	3,988	--	--	3,988	7,067			
Provisions for Reserves and/or Designations	--	--	81	81	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 55,280</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,271	\$ --	\$ 1,271	\$ 2,098	\$ 827		
Other Revenues		--	--	--	420	420		
Transfers In		1,450	(183)	1,267	1,450	183		
Total Revenues and Other Financing Sources		2,721	(183)	2,538	3,968	1,430		
Expenditures/Encumbrances								
General Government:								
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue	\$ 2,852	9,613	473	12,938	297	12,641	\$ 2,844	\$ 9,797
Orange County Development Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing	--	164	3	167	1	166	--	166
Orange County Development Agency - Santa Ana Heights Surplus	67	15,946	244	16,257	2,316	13,941	29	13,912
Orange County Development Agency - Neighborhood Development and Preservation Projects, 1992 Issue A	25	795	95	915	22	893	25	868
Neighborhood Development and Preservation Project - Low/Moderate Income Housing, 1992 Issue A	4	2,902	(19)	2,887	55	2,832	4	2,828
Orange County Development Agency - Neighborhood Development and Preservation Projects, 1992 Issue B	5	320	19	344	1	343	5	338
Orange County Development Agency - Neighborhood Development and Preservation Projects, 1992 Issue B Low/Moderate Income Housing	5	2,570	(1,707)	868	1	867	5	862
Orange County Development Agency-Neighborhood Preservation and Development Construction	--	522	27	549	148	401	--	401
Orange County Development Agency - Neighborhood Development and Preservation Project Surplus	54	2,371	(45)	2,380	512	1,868	49	1,819
Total Expenditures/Encumbrances	3,012	35,203	(910)	37,305	3,353	33,952	\$ 2,961	\$ 30,991
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	(3,012)	(32,482)	727	(34,767)	615	\$ 35,382		
Fund Balances - Beginning of Year	--	32,482	--	32,482	42,097			
Cancellation of Reserves/Designations	--	--	--	--	(11,186)			
Fund Balance Reserved for Encumbrances	3,012	--	--	3,012	2,961			
Provisions for Reserves and/or Designations	--	--	(727)	(727)	8,225			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 42,712			

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Special Assessment Districts, Community Facilities Districts, and Service Areas								
Revenues								
Use of Money and Property		\$ 2,110	\$ --	\$ 2,110	\$ 8,629	\$ 6,519		
Other Revenues		--	--	--	36	36		
Total Revenues		<u>2,110</u>	<u>--</u>	<u>2,110</u>	<u>8,665</u>	<u>6,555</u>		
Expenditures/Encumbrances								
General Government:								
Aliso Viejo Community Facilities								
District 88-1(A) 1992-Construction	\$ --	4,860	744	5,604	6	5,598	\$ --	\$ 5,598
Special Assessment-Top of the								
World Improvement	--	46	--	46	--	46	--	46
CFD 99-1, Ladera Construction								
Series A of 1999 Construction	--	247	93	340	--	340	--	340
Rancho Santa Margarita Community								
Facilities District 86-2, Series A								
of 1998 Construction	--	1,507	2	1,509	2	1,507	--	1,507
Rancho Santa Margarita Community								
Facilities District 86-1, Series A								
of 1998 Construction	--	186	1	187	--	187	--	187
CFD 2002-1 Ladera Construction	--	21,531	(3,088)	18,443	2,689	15,754	--	15,754
Lomas Laguna Community Facilities								
District 88-2 Construction	--	367	2	369	--	369	--	369
Baker Ranch Community Facilities								
District 87-6 Construction	--	494	2	496	--	496	--	496
Santa Teresita Community Facilities								
District 87-9 Construction	--	62	1	63	--	63	--	63
Newport Coast IV Construction 01-1	--	2,686	899	3,585	3,573	12	--	12
Newport Coast Construction 01-1 GR-2	--	1,850	404	2,254	1,813	441	--	441
Newport Coast Construction 01-1	--	13,795	1,982	15,777	6,003	9,774	--	9,774
Mission Viejo Community Facilities								
District 87-3(A) 90 Construction	--	14	--	14	--	14	--	14
CFD 2004-1 Ladera Construction	--	63,632	2,436	66,068	4,378	61,690	--	61,690
CFD 01-1 Ladera Construction								
Series A of 2001 Construction	--	7,976	726	8,702	7,168	1,534	--	1,534
Santa Teresita Community Facilities								
District 87-9(A) 1991 Construction	--	128	--	128	--	128	--	128
CFD 00-1, Ladera Construction								
Series A of 2000 Construction	--	1,470	15	1,485	2	1,483	--	1,483
Newport Ridge Construction 92-1	--	88	1	89	--	89	--	89
Newport Ridge Construction Series B	--	115	10	125	3	122	--	122
Foothill Ranch Community Facilities								
District 87-4(A) 94 Construction	--	354	6	360	1	359	--	359
CFD 2003-1, Ladera Construction	--	30,733	7,062	37,795	1,887	35,908	--	35,908
Rancho Santa Margarita Community								
Facilities District 87-5C, Series A of								
1994 Construction	--	68	--	68	--	68	--	68
Coto de Caza Community Facilities								
District 87-8(A) 94 Construction	--	59	2	61	--	61	--	61
Public Ways and Facilities:								
County Infrastructure Project	--	4,988	(155)	4,833	--	4,833	--	4,833
Total Expenditures/Encumbrances	--	<u>157,256</u>	<u>11,145</u>	<u>168,401</u>	<u>27,525</u>	<u>140,876</u>	\$ --	\$ 140,876
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(155,146)	(11,145)	(166,291)	(18,860)	<u>\$ 147,431</u>		
Fund Balances - Beginning of Year	--	155,296	--	155,296	168,144			
Cancellation of Reserves/Designations	--	--	--	--	(2,300)			
Provisions for Reserves								
and/or Designations	--	(150)	11,145	10,995	2,300			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 149,284			

Supplemental Information
(Dollar Amounts in Thousands)

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

	Open Encumbrances July 1, 2006	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2007	Unspent Appropriations
Permanent Fund								
Revenues								
Use of Money and Property		\$ 8	\$ --	\$ 8	\$ 15	\$ 7		
Other Revenues		1	--	1	--	(1)		
Total Revenues		<u>9</u>	<u>--</u>	<u>9</u>	<u>15</u>	<u>6</u>		
Expenditures/Encumbrances								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	1	4	5	--	5	\$ --	\$ 5
Total Expenditures/Encumbrances	--	<u>1</u>	<u>4</u>	<u>5</u>	<u>--</u>	<u>5</u>	<u>--</u>	<u>5</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	8	(4)	4	15	<u>11</u>		
Fund Balances - Beginning of Year	--	10	--	10	110			
Cancellation of Reserves/Designations	--	--	--	--	(113)			
Provisions for Reserves and/or Designations	--	(18)	4	(14)	113			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 125</u>			

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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).

	Parking Facilities	Community & Welfare Services	Health Care Programs	Orange County Housing Authority	Other Governmental Resources
Revenue and Other Financing Sources					
Total Revenues and Other Financing Sources from the Budgetary Comparison Schedules.	\$ 5,144	\$ 56,939	\$ 65,158	\$ 918	\$ 4,265
Differences-budget to GAAP:					
Other Financing Sources reported in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for a reclassification of Medi-Cal Administrative Activities Targeted Case Management, Emergency Medical Services, HCA Purpose Restricted Revenues, HCA Interest Bearing Purpose Restricted Revenue, HCA Realignment, Mental Health Services Act, and Bioterrorism Center for Disease Control funds from the Other Public Protection and the Community and Welfare Services group of funds to the Health Care Programs group of funds.	--	--	31,714	--	--
Other Financing Sources reported in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for a reclassification of Bioterrorism Center for Disease Control fund from the Other Public Protection group of funds to the Other Governmental Resources group of funds.	--	--	--	--	570
Revenues reported in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for non-budgeted funds are excluded from the Budgetary Comparison Schedules.	6,135	--	--	110,410	--
Total Revenue and Other Financing Sources as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.	<u>\$ 11,279</u>	<u>\$ 56,939</u>	<u>\$ 96,872</u>	<u>\$ 111,328</u>	<u>\$ 4,835</u>
Expenditures/Encumbrances and Other Financing Uses					
Actual expenditures reported in the Budgetary Comparison Schedules.	\$ 3,366	\$ 34,353	\$ 32,596	\$ 1,439	\$ 5,210
Differences-budget to GAAP:					
Other Financing Uses reported in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for a reclassification of Medi-Cal Administrative Activities Targeted Case Management, Emergency Medical Services, HCA Purpose Restricted Revenues, HCA Interest Bearing Purpose Restricted Revenue, HCA Realignment, Mental Health Services Act, and Bioterrorism Center for Disease Control funds from the Community and Welfare Services group of funds to the Health Care Programs and the Other Public Protection group of funds.	--	31,828	--	--	--
Expenditures reported in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for non-budgeted funds are excluded from the Budgetary Comparison Schedules.	6,643	--	--	104,226	--
Total Expenditures and Other Financing Uses as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.	<u>\$ 10,009</u>	<u>\$ 66,181</u>	<u>\$ 32,596</u>	<u>\$ 105,665</u>	<u>\$ 5,210</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**

ASSETS	<u>Total</u>	<u>Health and Other Self-Insured Employee Benefits</u>	<u>HMO Health Insurance</u>
Current Assets			
Pooled Cash/Investments	\$ 270,865	\$ 105,877	\$ 3,403
Restricted Cash and Investments with Trustee	2,176	--	--
Imprest Cash Funds	133	125	--
Receivables			
Accounts Receivable	1,031	817	--
Interest/Dividends	1,917	777	--
Allowance for Uncollectible Receivables	(2)	(1)	--
Due from Other Funds	5,696	1,763	--
Due from Component Unit	2	--	--
Due from Other Governmental Agencies	102	--	--
Inventory of Materials and Supplies	224	--	--
Prepaid Costs	45	--	--
Total Current Assets	<u>282,189</u>	<u>109,358</u>	<u>3,403</u>
Noncurrent Assets			
Capital Assets			
Construction in Progress	1,396	--	--
Structures and Improvements	4,860	--	--
Accumulated Depreciation	(3,870)	--	--
Equipment	77,861	--	--
Accumulated Depreciation	(57,503)	--	--
Total Capital Assets	<u>22,744</u>	<u>--</u>	<u>--</u>
Total Assets	<u>304,933</u>	<u>109,358</u>	<u>3,403</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	9,137	3,668	--
Salaries and Employee Benefits Payable	392	--	--
Due to Other Funds	926	136	--
Due to Other Governmental Agencies	1,716	1,709	3
Insurance Claims Payable	44,881	7,481	--
Compensated Employee Absences Payable	868	--	--
Capital Lease Obligations Payable	1,335	--	--
Total Current Liabilities	<u>59,255</u>	<u>12,994</u>	<u>3</u>
Noncurrent Liabilities			
Insurance Claims Payable	102,729	--	--
Compensated Employee Absences Payable	700	--	--
Capital Lease Obligations Payable	1,390	--	--
Total Noncurrent Liabilities	<u>104,819</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>164,074</u>	<u>12,994</u>	<u>3</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	20,017	--	--
Unrestricted	120,842	96,364	3,400
Total Net Assets	<u>\$ 140,859</u>	<u>\$ 96,364</u>	<u>\$ 3,400</u>

Supplemental Information
(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
\$ 175	\$ 95,657	\$ 9,419	
2,176	--	--	
--	--	--	
--	--	--	
--	739	73	
--	--	--	
--	100	--	
--	--	--	
--	--	--	
--	--	--	
--	--	--	
<u>2,351</u>	<u>96,496</u>	<u>9,492</u>	
			ASSETS
			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
			Prepaid Costs
			Total Current Assets
			Noncurrent Assets
			Capital Assets
			Construction in Progress
			Structures and Improvements
			Accumulated Depreciation
			Equipment
			Accumulated Depreciation
			Total Capital Assets
			Total Assets
			LIABILITIES
			Current Liabilities
			Accounts Payable
			Salaries and Employee Benefits Payable
			Due to Other Funds
			Due to Other Governmental Agencies
			Insurance Claims Payable
			Compensated Employee Absences Payable
			Capital Lease Obligations Payable
			Total Current Liabilities
			Noncurrent Liabilities
			Insurance Claims Payable
			Compensated Employee Absences Payable
			Capital Lease Obligations Payable
			Total Noncurrent Liabilities
			Total Liabilities
			NET ASSETS
			Invested in Capital Assets, Net of Related Debt
			Unrestricted
			Total Net Assets
--	--	--	
2,351	(9,516)	8,453	
<u>\$ 2,351</u>	<u>\$ (9,516)</u>	<u>\$ 8,453</u>	

COMBINING STATEMENT OF NET ASSETS (Continued)
INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
ASSETS				
Current Assets				
Pooled Cash/Investments	\$ 33,500	\$ 7,701	\$ 805	\$ 14,328
Restricted Cash and Investments with Trustee	--	--	--	--
Imprest Cash Funds	5	--	--	3
Receivables				
Accounts Receivable	13	199	2	--
Interest/Dividends	156	55	8	109
Allowance for Uncollectible Receivables	--	--	--	(1)
Due from Other Funds	13	3,063	88	669
Due from Component Unit	--	--	--	2
Due from Other Governmental Agencies	32	--	51	19
Inventory of Materials and Supplies	--	224	--	--
Prepaid Costs	--	45	--	--
Total Current Assets	<u>33,719</u>	<u>11,287</u>	<u>954</u>	<u>15,129</u>
Noncurrent Assets				
Capital Assets				
Construction in Progress	--	1,073	--	323
Structures and Improvements	--	4,860	--	--
Accumulated Depreciation	--	(3,870)	--	--
Equipment	5	29,278	1,670	46,903
Accumulated Depreciation	(5)	(19,153)	(643)	(37,697)
Total Capital Assets	<u>--</u>	<u>12,188</u>	<u>1,027</u>	<u>9,529</u>
Total Assets	<u>33,719</u>	<u>23,475</u>	<u>1,981</u>	<u>24,658</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	746	567	501	2,641
Salaries and Employee Benefits Payable	29	152	42	144
Due to Other Funds	211	270	122	108
Due to Other Governmental Agencies	--	--	3	1
Insurance Claims Payable	10,000	--	--	--
Compensated Employee Absences Payable	69	336	79	328
Capital Lease Obligations Payable	--	--	--	1,335
Total Current Liabilities	<u>11,055</u>	<u>1,325</u>	<u>747</u>	<u>4,557</u>
Noncurrent Liabilities				
Insurance Claims Payable	24,299	--	--	--
Compensated Employee Absences Payable	134	251	61	207
Capital Lease Obligations Payable	--	--	--	1,390
Total Noncurrent Liabilities	<u>24,433</u>	<u>251</u>	<u>61</u>	<u>1,597</u>
Total Liabilities	<u>35,488</u>	<u>1,576</u>	<u>808</u>	<u>6,154</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	--	12,187	1,026	6,804
Unrestricted	(1,769)	9,712	147	11,700
Total Net Assets	<u>\$ (1,769)</u>	<u>\$ 21,899</u>	<u>\$ 1,173</u>	<u>\$ 18,504</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	\$ 2,233	\$ --	\$ --
Charges for Services	70,548	--	--
Insurance Premiums	246,084	98,807	88,717
Total Operating Revenues	<u>318,865</u>	<u>98,807</u>	<u>88,717</u>
Operating Expenses			
Salaries and Employee Benefits	15,661	--	--
Services and Supplies	31,933	2,298	--
Professional Services	36,710	2,743	4
Operating Leases	5,748	--	--
Insurance Claims and Premiums	176,265	48,366	86,498
Other Charges	23,159	23,152	--
Depreciation	5,759	--	--
Total Operating Expenses	<u>295,235</u>	<u>76,559</u>	<u>86,502</u>
Operating Income (Loss)	<u>23,630</u>	<u>22,248</u>	<u>2,215</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	1,519	1,504	--
Interest Revenue	12,784	4,807	188
Interest Expense	(347)	--	--
Gain (Loss) on Disposition of Capital Assets	(1,185)	--	--
Other Revenue - Net	1,166	--	--
Total Nonoperating Revenues	<u>13,937</u>	<u>6,311</u>	<u>188</u>
Income (Loss) Before Contributions and Transfers	37,567	28,559	2,403
Transfers In	4,241	1,677	4
Transfers Out	(204)	--	(188)
Increase (Decrease) in Net Assets	<u>41,604</u>	<u>30,236</u>	<u>2,219</u>
Net Assets - Beginning of Year	<u>99,255</u>	<u>66,128</u>	<u>1,181</u>
Net Assets - End of Year	<u>\$ 140,859</u>	<u>\$ 96,364</u>	<u>\$ 3,400</u>

Supplemental Information
(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
\$ --	\$ --	\$ --	Operating Revenues
--	--	--	Use of Money and Property
967	36,988	1,437	Charges for Services
<u>967</u>	<u>36,988</u>	<u>1,437</u>	Insurance Premiums
			Total Operating Revenues
			Operating Expenses
--	780	--	Salaries and Employee Benefits
--	134	--	Services and Supplies
--	2,775	78	Professional Services
--	11	--	Operating Leases
1,224	22,292	836	Insurance Claims and Premiums
--	--	--	Other Charges
--	1	--	Depreciation
<u>1,224</u>	<u>25,993</u>	<u>914</u>	Total Operating Expenses
<u>(257)</u>	<u>10,995</u>	<u>523</u>	Operating Income (Loss)
			Nonoperating Revenues (Expenses)
--	--	--	Intergovernmental Revenues
105	4,554	480	Interest Revenue
--	--	--	Interest Expense
--	--	--	Gain (Loss) on Disposition of Capital Assets
--	353	--	Other Revenue - Net
<u>105</u>	<u>4,907</u>	<u>480</u>	Total Nonoperating Revenues
(152)	15,902	1,003	Income (Loss) Before Contributions and Transfers
--	817	--	Transfers In
<u>(10)</u>	<u>--</u>	<u>--</u>	Transfers Out
(162)	16,719	1,003	Increase (Decrease) in Net Assets
2,513	(26,235)	7,450	Net Assets - Beginning of Year
<u>\$ 2,351</u>	<u>\$ (9,516)</u>	<u>\$ 8,453</u>	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	\$ --	\$ --	\$ --	\$ 2,233
Charges for Services	--	19,975	3,904	46,669
Insurance Premiums	19,168	--	--	--
Total Operating Revenues	<u>19,168</u>	<u>19,975</u>	<u>3,904</u>	<u>48,902</u>
Operating Expenses				
Salaries and Employee Benefits	1,028	6,688	1,767	5,398
Services and Supplies	11,083	7,644	1,350	9,424
Professional Services	317	1,828	431	28,534
Operating Leases	52	104	623	4,958
Insurance Claims and Premiums	17,049	--	--	--
Other Charges	--	5	2	--
Depreciation	1	3,197	90	2,470
Total Operating Expenses	<u>29,530</u>	<u>19,466</u>	<u>4,263</u>	<u>50,784</u>
Operating Income (Loss)	<u>(10,362)</u>	<u>509</u>	<u>(359)</u>	<u>(1,882)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenues	--	1	--	14
Interest Revenue	1,329	380	53	888
Interest Expense	--	--	--	(347)
Gain (Loss) on Disposition of Capital Assets	--	165	(2)	(1,348)
Other Revenue - Net	338	225	208	42
Total Nonoperating Revenues	<u>1,667</u>	<u>771</u>	<u>259</u>	<u>(751)</u>
Income (Loss) Before Contributions and Transfers	(8,695)	1,280	(100)	(2,633)
Transfers In	--	1,743	--	--
Transfers Out	--	--	(6)	--
Increase (Decrease) in Net Assets	<u>(8,695)</u>	<u>3,023</u>	<u>(106)</u>	<u>(2,633)</u>
Net Assets - Beginning of Year	<u>6,926</u>	<u>18,876</u>	<u>1,279</u>	<u>21,137</u>
Net Assets - End of Year	<u>\$ (1,769)</u>	<u>\$ 21,899</u>	<u>\$ 1,173</u>	<u>\$ 18,504</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS

	Total	Health and Other Self-Insured Employee Benefits	HMO Health Insurance	Life Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 72,893	\$ --	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	246,084	98,807	88,717	967
Payments to Suppliers for Goods and Services	(237,193)	(53,219)	(89,455)	(1,261)
Payments to Employees for Services	(15,478)	--	--	--
Payments for Interfund Services Provided	(2,306)	--	--	--
Cash Receipts for Interfund Services Provided	945	645	--	--
Other Receipts	744	--	--	--
Other Payments	(28,577)	(23,244)	--	--
Net Cash Provided (Used) by Operating Activities	<u>37,112</u>	<u>22,989</u>	<u>(738)</u>	<u>(294)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	2,498	1,677	4	--
Transfers Out	(204)	--	(188)	(10)
Intergovernmental Revenues	1,519	1,504	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,813</u>	<u>3,181</u>	<u>(184)</u>	<u>(10)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(8,129)	--	--	--
Interest Paid on Long-Term Debt	(347)	--	--	--
Principal Paid on Capital Lease Obligations	(1,285)	--	--	--
Transfers In	1,743	--	--	--
Proceeds from Sale of Capital Assets	360	--	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(7,658)</u>	<u>--</u>	<u>--</u>	<u>--</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	12,138	4,491	188	105
Net Cash Provided by Investing Activities	<u>12,138</u>	<u>4,491</u>	<u>188</u>	<u>105</u>
Net Increase (Decrease) in Cash and Cash Equivalents	45,405	30,661	(734)	(199)
Cash and Cash Equivalents - Beginning of Year	227,769	75,341	4,137	2,550
Cash and Cash Equivalents - End of Year	<u>\$ 273,174</u>	<u>\$ 106,002</u>	<u>\$ 3,403</u>	<u>\$ 2,351</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 23,630	\$ 22,248	\$ 2,215	\$ (257)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	5,759	--	--	--
Other Revenue - net	1,166	--	--	--
(Increases) Decreases In:				
Accounts Receivable	(726)	(817)	--	--
Due from Other Funds	(741)	515	--	--
Due from Component Unit	1	--	--	--
Due from Other Governmental Agencies	746	725	--	--
Prepaid Expenses	(45)	--	--	--
Inventory of Materials and Supplies	(99)	--	--	--
Increases (Decreases) In:				
Accounts Payable	(1,808)	435	(2,956)	(37)
Salaries and Employee Benefits Payable	64	--	--	--
Due to Other Funds	(621)	130	--	--
Due to Other Governmental Agencies	1,708	1,709	3	--
Insurance Claims Payable	7,959	(1,956)	--	--
Compensated Employee Absences Payable	119	--	--	--
Total Adjustments	<u>13,482</u>	<u>741</u>	<u>(2,953)</u>	<u>(37)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,112</u>	<u>\$ 22,989</u>	<u>\$ (738)</u>	<u>\$ (294)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Pooled Cash/Investments	\$ 270,865	\$ 105,877	\$ 3,403	\$ 175
Imprest Cash Funds	133	125	--	--
Restricted Cash and Investments with Trustee	2,176	--	--	2,176
Total Cash and Cash Equivalents	<u>\$ 273,174</u>	<u>\$ 106,002</u>	<u>\$ 3,403</u>	<u>\$ 2,351</u>

Workers' Compensation	Unemployment Insurance	Property & Casualty Risk
\$ 3	\$ --	\$ 85
36,988	1,437	19,168
(25,214)	(831)	(18,138)
(749)	--	(1,015)
--	--	--
113	38	97
342	--	286
--	--	--
<u>11,483</u>	<u>644</u>	<u>483</u>
817	--	--
--	--	--
--	--	--
<u>817</u>	<u>--</u>	<u>--</u>
--	--	--
--	--	--
--	--	--
<u>4,291</u>	<u>459</u>	<u>1,292</u>
<u>4,291</u>	<u>459</u>	<u>1,292</u>
16,591	1,103	1,775
79,066	8,316	31,730
<u>\$ 95,657</u>	<u>\$ 9,419</u>	<u>\$ 33,505</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers
Cash Received for Premiums Within the County's Enty
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
Cash and Cash Equivalents - End of Year

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

\$ 10,995	\$ 523	\$ (10,362)
1	--	1
353	--	338
--	--	90
106	--	1
--	--	--
3	--	(5)
--	--	--
--	--	--
279	(9)	196
6	--	6
7	38	96
--	--	--
(292)	92	10,115
25	--	7
<u>488</u>	<u>121</u>	<u>10,845</u>
<u>\$ 11,483</u>	<u>\$ 644</u>	<u>\$ 483</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
Prepaid Expenses
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

\$ 95,657	\$ 9,419	\$ 33,500
--	--	5
--	--	--
<u>\$ 95,657</u>	<u>\$ 9,419</u>	<u>\$ 33,505</u>

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

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 20,004	\$ 3,912	\$ 48,889
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(9,409)	(1,413)	(38,253)
Payments to Employees for Services	(6,649)	(1,762)	(5,303)
Payments for Interfund Services Provided	(1,878)	(106)	(322)
Cash Receipts for Interfund Services Provided	--	--	52
Other Receipts	116	--	--
Other Payments	--	(417)	(4,916)
Net Cash Provided (Used) by Operating Activities	<u>2,184</u>	<u>214</u>	<u>147</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	--	--	--
Transfers Out	--	(6)	--
Intergovernmental Revenues	1	--	14
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1</u>	<u>(6)</u>	<u>14</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(5,647)	(688)	(1,794)
Interest Paid on Long-Term Debt	--	--	(347)
Principal Paid on Capital Lease Obligations	--	--	(1,285)
Transfers In	1,743	--	--
Proceeds from Sale of Capital Assets	358	--	2
Net Cash Used by Capital and Related Financing Activities	<u>(3,546)</u>	<u>(688)</u>	<u>(3,424)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	371	56	885
Net Cash Provided by Investing Activities	<u>371</u>	<u>56</u>	<u>885</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(990)	(424)	(2,378)
Cash and Cash Equivalents - Beginning of Year	8,691	1,229	16,709
Cash and Cash Equivalents - End of Year	<u>\$ 7,701</u>	<u>\$ 805</u>	<u>\$ 14,331</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 509	\$ (359)	\$ (1,882)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,197	90	2,470
Other Revenue - net	225	208	42
(Increases) Decreases In:			
Accounts Receivable	(1)	2	--
Due from Other Funds	(951)	(89)	(323)
Due from Component Unit	--	--	1
Due from Other Governmental Agencies	30	6	(13)
Prepaid Expenses	(45)	--	--
Inventory of Materials and Supplies	(99)	--	--
Increases (Decreases) In:			
Accounts Payable	211	369	(296)
Salaries and Employee Benefits Payable	15	5	32
Due to Other Funds	(927)	(17)	52
Due to Other Governmental Agencies	(4)	(1)	1
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	24	--	63
Total Adjustments	<u>1,675</u>	<u>573</u>	<u>2,029</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,184</u>	<u>\$ 214</u>	<u>\$ 147</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Pooled Cash/Investments	\$ 7,701	\$ 805	\$ 14,328
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	<u>\$ 7,701</u>	<u>\$ 805</u>	<u>\$ 14,331</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, 2007
(In Thousands)**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 256,062	\$ 168,841	\$ 87,221
Restricted Cash and Investments with Trustee	1,206	--	1,206
Investments	1,113	--	1,113
Deposits In-Lieu of Cash	14,570	--	14,570
Receivables			
Accounts	7,561	7,556	5
Taxes	300,696	300,502	194
Interest/Dividends	19,698	19,269	429
Allowance For Uncollectible Receivables	(3)	(2)	(1)
Due from Other Governmental Agencies	6,213	3,027	3,186
Notes Receivable	10,903	--	10,903
Total Assets	\$ 618,019	\$ 499,193	\$ 118,826
 <u>LIABILITIES</u>			
Accounts Payable	\$ 34,288	\$ 34,288	\$ --
Interest Payable	24,045	24,045	--
Deposits from Others	225	--	225
Monies Held for Others	85,570	--	85,570
Due to Other Governmental Agencies	61,448	28,417	33,031
Unapportioned Taxes	412,443	412,443	--
Total Liabilities	\$ 618,019	\$ 499,193	\$ 118,826

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2007

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

UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 138,482	\$ 5,980,387	\$ 5,950,028	\$ 168,841
Receivables				
Accounts	8,135	7,554	8,133	7,556
Taxes	196,386	14,031,542	13,927,426	300,502
Interest	13,805	255,652	250,188	19,269
Allowance for Uncollectible Receivables	--	--	2	(2)
Due from Other Funds	--	14,287	14,287	--
Due from Other Governmental Agencies	913	6,791	4,677	3,027
Total Assets	<u>\$ 357,721</u>	<u>\$ 20,296,213</u>	<u>\$ 20,154,741</u>	<u>\$ 499,193</u>

LIABILITIES				
Accounts Payable	\$ --	\$ 186,104	\$ 151,816	\$ 34,288
Interest Payable	15,276	188,482	179,713	24,045
Monies Held for Others	--	43,381	43,381	--
Due to Other Funds	--	19,654	19,654	--
Due to Other Governmental Agencies	11,844	89,063	72,490	28,417
Unapportioned Taxes	330,601	6,203,436	6,121,594	412,443
Deferred Revenue	--	15	15	--
Total Liabilities	<u>\$ 357,721</u>	<u>\$ 6,730,135</u>	<u>\$ 6,588,663</u>	<u>\$ 499,193</u>

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 75,382	\$ 2,886,015	\$ 2,874,176	\$ 87,221
Imprest Cash Funds	100	--	100	--
Restricted Cash and Investments with Trustee	1,335	14,621	14,750	1,206
Investments	1,113	1	1	1,113
Deposits In-Lieu of Cash	12,496	4,972	2,898	14,570
Receivables				
Accounts	5	299	299	5
Taxes	178	194	178	194
Interest	424	5,046	5,041	429
Allowance for Uncollectible Receivables	--	1	2	(1)
Due from Other Funds	--	792,384	792,384	--
Due from Other Governmental Agencies	3,831	10,496	11,141	3,186
Notes Receivable	8,090	3,108	295	10,903
Total Assets	<u>\$ 102,954</u>	<u>\$ 3,717,137</u>	<u>\$ 3,701,265</u>	<u>\$ 118,826</u>

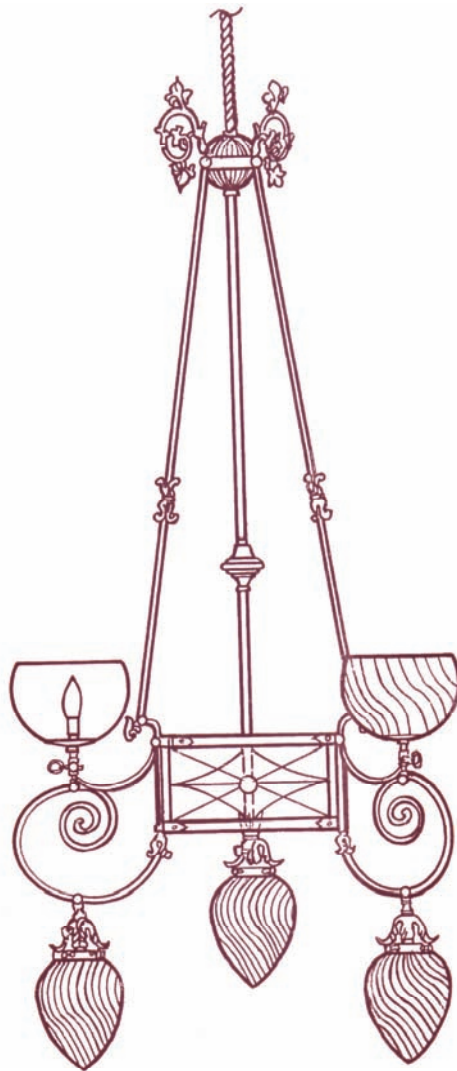
LIABILITIES				
Accounts Payable	\$ --	\$ 255,757	\$ 255,757	\$ --
Salaries and Employee Benefits Payable	--	2,865	2,865	--
Deposits From Others	451	41,794	42,020	225
Monies Held for Others	75,323	2,081,613	2,071,366	85,570
Due to Other Funds	--	141,192	141,192	--
Due to Other Governmental Agencies	27,180	776,762	770,911	33,031
Unapportioned Taxes	--	1	1	--
Deferred Revenue	--	230,015	230,015	--
Total Liabilities	<u>\$ 102,954</u>	<u>\$ 3,529,999</u>	<u>\$ 3,514,127</u>	<u>\$ 118,826</u>

Supplemental Information
(Dollar Amounts in Thousands)

TOTAL - ALL AGENCY FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 213,864	\$ 8,866,402	\$ 8,824,204	\$ 256,062
Imprest Cash Funds	100	--	100	--
Restricted Cash and Investments with Trustee	1,335	14,621	14,750	1,206
Investments	1,113	1	1	1,113
Deposits In-Lieu of Cash	12,496	4,972	2,898	14,570
Receivables				
Accounts	8,140	7,853	8,432	7,561
Taxes	196,564	14,031,736	13,927,604	300,696
Interest	14,229	260,698	255,229	19,698
Allowance for Uncollectible Receivables	--	1	4	(3)
Due from Other Funds	--	806,671	806,671	--
Due from Other Governmental Agencies	4,744	17,287	15,818	6,213
Notes Receivable	8,090	3,108	295	10,903
Total Assets	<u>\$ 460,675</u>	<u>\$ 24,013,350</u>	<u>\$ 23,856,006</u>	<u>\$ 618,019</u>
LIABILITIES				
Accounts Payable	\$ --	\$ 441,861	\$ 407,573	\$ 34,288
Interest Payable	15,276	188,482	179,713	24,045
Salaries and Employee Benefits Payable	--	2,865	2,865	--
Deposits from Others	451	41,794	42,020	225
Monies Held for Others	75,323	2,124,994	2,114,747	85,570
Due to Other Funds	--	160,846	160,846	--
Due to Other Governmental Agencies	39,024	865,825	843,401	61,448
Unapportioned Taxes	330,601	6,203,437	6,121,595	412,443
Deferred Revenue	--	230,030	230,030	--
Total Liabilities	<u>\$ 460,675</u>	<u>\$ 10,260,134</u>	<u>\$ 10,102,790</u>	<u>\$ 618,019</u>



Statistical Section



*Five-light Chandelier in the Old Orange County Courthouse
Illustrated by Sandra Heaton, County of Orange Resources and Development Management Department*

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>
<u>Financial Trends</u> These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	189
<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.	194
<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.	198
<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.	203
<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.	206

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

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



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

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 2,273,891	\$ 2,306,178	\$ 2,336,881	\$ 2,259,064	\$ 2,183,152	\$ 1,703,213
Restricted for:						
Expendable						
Capital Projects	247,277	255,201	240,768	207,838	209,994	210,688
Debt Service	155,918	121,840	24,196	155,964	61,066	33,785
Legally Segregated						
Special Revenue Funds Restricted for Grants and Other Purposes	916,563	738,515	648,092	628,881	711,714	581,662
Nonexpendable						
Regional Park Endowment	125	109	97	91	87	82
Unrestricted	135,826	(33,051)	(44,929)	(280,592)	(374,852)	(363,291)
Total Governmental Activities Net Assets	\$ 3,729,600	\$ 3,388,792	\$ 3,205,105	\$ 2,971,246	\$ 2,791,161	\$ 2,166,139
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 359,544	\$ 343,390	\$ 335,795	\$ 315,335	\$ 293,959	\$ 240,969
Restricted for:						
Expendable						
Airport	194,038	146,332	113,402	97,573	77,931	90,410
Waste Management	292,847	264,502	233,999	217,194	201,698	192,022
Total Business-Type Activities Net Assets	\$ 846,429	\$ 754,224	\$ 683,196	\$ 630,102	\$ 573,588	\$ 523,401
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 2,633,435	\$ 2,649,568	\$ 2,672,676	\$ 2,574,399	\$ 2,477,111	\$ 1,944,182
Restricted for:						
Expendable						
Capital Projects	247,277	255,201	240,768	207,838	209,994	210,688
Debt Service	155,918	121,840	24,196	155,964	61,066	33,785
Legally Segregated						
Special Revenue Funds Restricted for Grants and Other Purposes	916,563	738,515	648,092	628,881	711,714	581,662
Airport	194,038	146,332	113,402	97,573	77,931	90,410
Waste Management	292,847	264,502	233,999	217,194	201,698	192,022
Nonexpendable						
Regional Park Endowment	125	109	97	91	87	82
Unrestricted	135,826	(33,051)	(44,929)	(280,592)	(374,852)	(363,291)
Total Primary Government Net Assets	\$ 4,576,029	\$ 4,143,016	\$ 3,888,301	\$ 3,601,348	\$ 3,364,749	\$ 2,689,540

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

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

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses						
Governmental Activities:						
General Government	\$ 281,739	\$ 227,536	\$ 171,771	\$ 170,820	\$ 193,192	\$ 182,237
Public Protection	1,055,593	972,996	947,698	905,229	892,817	863,159
Public Ways and Facilities	96,776	105,342	77,928	78,454	74,561	82,893
Health and Sanitation	527,541	467,640	455,059	447,743	441,047	430,954
Public Assistance	794,862	773,109	740,987	731,698	740,794	718,016
Education	32,722	40,452	30,641	31,978	29,108	28,583
Recreation and Cultural Services	80,279	72,535	73,530	76,249	70,273	70,875
Interest on Long-Term Debt	65,961	64,680	81,841	78,474	53,853	125,664
Subtotal Governmental Activities	<u>2,935,473</u>	<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	90,524	84,362	79,882	78,235	75,770	75,446
Waste Management	85,378	76,771	87,533	70,858	79,217	72,652
Subtotal Business-Type Activities	<u>175,902</u>	<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><u>\$ 3,111,375</u></u>	<u><u>\$ 2,885,423</u></u>	<u><u>\$ 2,746,870</u></u>	<u><u>\$ 2,669,738</u></u>	<u><u>\$ 2,650,632</u></u>	<u><u>\$ 2,650,479</u></u>
Program Revenues						
Governmental Activities:						
Charges for Services						
General Government	\$ 45,647	\$ 38,645	\$ 38,977	\$ 30,569	\$ 35,668	\$ 25,794
Public Protection	283,215	275,703	279,241	256,253	247,228	231,564
Public Ways and Facilities	41,014	42,483	34,884	44,728	33,516	29,900
Health and Sanitation	85,305	79,493	78,686	68,778	73,438	66,682
Public Assistance	5,372	4,709	3,794	3,436	4,607	3,899
Education	4,743	1,353	1,795	1,156	6,072	1,198
Recreation and Cultural Services	39,028	34,974	32,882	31,219	30,622	29,091
Operating Grants and Contributions	1,759,887	1,605,063	1,540,938	1,532,106	1,545,050	1,438,646
Capital Grants and Contributions	69,340	18,178	66,889	55,337	509,839 ⁽¹⁾	44,185
Subtotal Governmental Activities	<u>2,333,551</u>	<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	127,747	101,775	95,562	90,657	83,330	76,456
Waste Management	111,362	114,239	114,541	112,498	107,858	103,926
Operating Grants and Contributions	691 ⁽³⁾	22,846	13,968	7,459	10,494	1,637
Capital Grants and Contributions	6,731	1,720	10,703	6,183	16,374	1,610
Subtotal Business-Type Activities	<u>246,531</u>	<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><u>\$ 2,580,082</u></u>	<u><u>\$ 2,341,181</u></u>	<u><u>\$ 2,312,860</u></u>	<u><u>\$ 2,240,379</u></u>	<u><u>\$ 2,704,096</u></u>	<u><u>\$ 2,054,588</u></u>

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

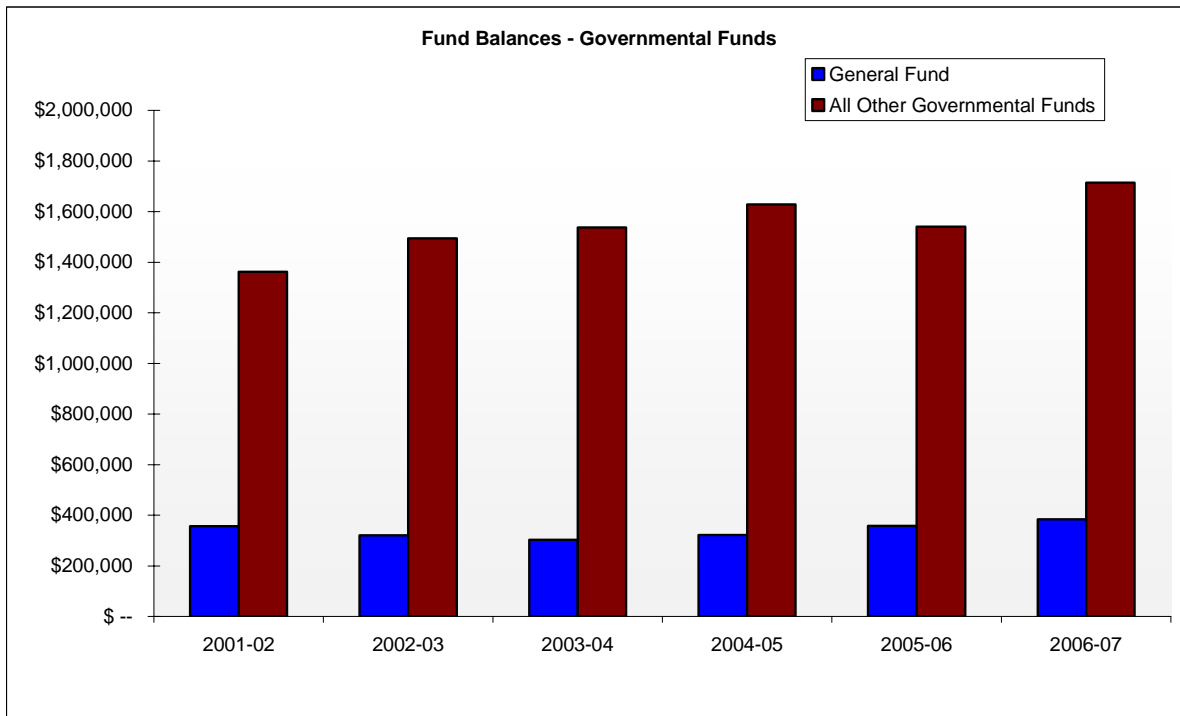
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Net (Expense)/Revenue						
Governmental Activities	\$(601,922)	\$(623,689)	\$(501,369)	\$(497,063)	\$ (9,605)	\$(631,422)
Business-Type Activities	70,629	79,447	67,359	67,704	63,069	35,531
Total Primary Government						
Net Revenue/(Expense)	<u>\$(531,293)</u>	<u>\$(544,242)</u>	<u>\$(434,010)</u>	<u>\$(429,359)</u>	<u>\$ 53,464</u>	<u>\$(595,891)</u>
General Revenue and Other Changes in Net Assets						
Governmental Activities:						
Taxes						
Property Taxes, Levied for General Fund	\$ 283,112	\$ 271,925	\$ 247,390 ⁽²⁾	\$ 211,944	\$ 180,671	\$ 181,113
Property Taxes, Levied for Flood Control District	63,209	53,662	49,295	47,677	45,397	41,158
Property Taxes, Levied for Harbors, Beaches and Parks	46,965	39,869	37,504	35,450	33,761	30,630
Property Taxes, Levied for Public Library	34,427	31,408	28,893	25,739	24,243	22,666
Property Tax Increments	25,828	26,580	24,122	21,602	19,364	17,327
Property Taxes in Lieu of Motor Vehicle License Fees	206,933	158,240	141,319 ⁽²⁾	--	--	--
Other Taxes	54,644	50,676	48,862	51,104	51,694	7,917
Grants and Contributions Not Restricted to Specific Programs	1,917	1,881	9,442	11,969	22,707	58,614
State Allocation of Motor Vehicle License Fees	58,487	56,873	54,325 ⁽²⁾	189,732	178,446	172,916
Unrestricted Investment Earnings	60,856	38,588	30,674	25,753	18,195	32,835
Miscellaneous	60,762	66,239	48,823	44,023	46,258	52,288
Gain on Sale of Capital Assets	31,460	--	--	--	--	--
Transfers	14,130	11,435	14,579	12,155	13,419	19,606
Subtotal Governmental Activities	<u>942,730</u>	<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	34,500 ⁽³⁾	--	--	--	--	14,647
Miscellaneous Revenues	1,206	3,016	314	965	537	1,211
Transfers	(14,130)	(11,435)	(14,579)	(12,155)	(13,419)	(19,606)
Subtotal Business-Type Activities	<u>21,576</u>	<u>(8,419)</u>	<u>(14,265)</u>	<u>(11,190)</u>	<u>(12,882)</u>	<u>(3,748)</u>
Total Primary Government	<u>\$ 964,306</u>	<u>\$ 798,957</u>	<u>\$ 720,963</u>	<u>\$ 665,958</u>	<u>\$ 621,273</u>	<u>\$ 633,322</u>
Change in Net Assets						
Governmental Activities	\$ 340,808	\$ 183,687	\$ 233,859	\$ 180,085	\$ 624,550	\$ 5,648
Business-Type Activities	92,205	71,028	53,094	56,514	50,187	31,783
Total Primary Government	<u>\$ 433,013</u>	<u>\$ 254,715</u>	<u>\$ 286,953</u>	<u>\$ 236,599</u>	<u>\$ 674,737</u>	<u>\$ 37,431</u>

- Notes: (1) In FY 2002-03, the Federal Government transferred ownership and maintenance responsibility of the Santa Ana River Mainstem Project including the Seven Oaks Dam valued at \$425,430 to the County.
- (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) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.

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

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

	Fiscal Year					
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Fund						
Reserved	\$ 89,001	\$ 68,082	\$ 67,554	\$ 70,861	\$ 56,819	\$ 75,206
Unreserved, Designated	179,038	140,436	90,240	108,325	104,126	126,209
Unreserved, Undesignated	115,701	149,617	163,548	123,979	159,684	155,255
Total General Fund	\$ 383,740	\$ 358,135	\$ 321,342	\$ 303,165	\$ 320,629	\$ 356,670
All Other Governmental Funds						
Reserved	\$ 626,134	\$ 594,090	\$ 657,214	\$ 603,438	\$ 606,227	\$ 605,949
Unreserved, Designated	298,120	286,105	303,304	310,822	275,971	264,195
Unreserved, Undesignated for, Reported in:						
Special Revenue Funds	545,878	414,408	319,167	340,750	430,335	336,501
Debt Service Funds	17,456	5,323	122,873	101,447	1,354	210
Capital Projects Funds	226,723	240,326	225,030	180,477	179,733	155,589
Permanent Fund	12	14	13	7	33	28
Total All Other Governmental Funds	\$ 1,714,323	\$ 1,540,266	\$ 1,627,601	\$ 1,536,941	\$ 1,493,653	\$ 1,362,472



Notes: 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 Six Fiscal Years
(Modified Basis of Accounting)**

	Fiscal Year					
	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Revenues						
Taxes	\$ 674,278	\$ 618,429	\$ 530,596	\$ 367,087	\$ 341,426	\$ 320,544
Licenses, Permits, and Franchises	23,289	18,011	19,767	15,867	15,730	11,807
Fines, Forfeitures and Penalties	73,353	70,624	70,686	60,038	68,406	63,881
Use of Money and Property	165,042	100,207	112,592	95,360	117,443	102,145
Intergovernmental	1,722,951	1,614,484	1,531,370	1,593,175	1,625,639	1,546,234
Charges for Services	406,071	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	104,046	90,721 ⁽¹⁾	268,174	215,343	137,677	92,560
Total Revenues	3,169,030	2,916,902	2,978,356	2,762,159	2,735,398	2,473,094
Expenditures						
General Government	204,585	303,827 ⁽¹⁾	356,883	293,679	221,977	161,023
Public Protection	1,005,737	910,531	874,789	875,096	826,232	788,238
Public Ways and Facilities	90,683	95,161	71,075	70,740	68,523	72,219
Health and Sanitation	516,901	458,741	446,887	439,380	435,898	417,373
Public Assistance	788,326	664,723	731,100	723,079	724,443	698,234
Education	35,904	40,061	29,745	31,069	27,684	26,748
Recreation and Cultural Services	73,386	67,776	67,411	66,606	67,654	61,601
Capital Outlay	154,373	99,519	207,146	124,210	149,914	151,296
Debt Service						
Principal Retirement	191,012	67,602	61,503	69,476	61,176	33,498
Escrow Bond Agent	--	230,719	--	4,314	--	12,914
Interest	58,586	57,028	67,134	67,699	71,921	73,286
Debt Issuance Costs	799	4,402	--	1,279	43	1,645
Total Expenditures	3,120,292	3,000,090	2,913,673	2,766,627	2,655,465	2,498,075
Excess of Revenues						
Over (Under) Expenditures	48,738	(83,188)	64,683	(4,468)	79,933	(24,981)
Other Financing Sources (Uses)						
Transfers In	298,138	245,441	244,551	303,456	281,927	624,869
Transfers Out	(288,045)	(239,834)	(239,314)	(295,587)	(269,537)	(606,836)
Bonds Issued	32,700	--	--	--	--	--
Premium on Bonds Issued	2,140	29,290	--	1,660	--	3,491
Principal Payment on Demand Bonds	105,991	--	--	--	--	--
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	150,924	32,646	44,154	30,292	15,207	27,668
Net Change in Fund Balances	\$ 199,662	\$ (50,542)	\$ 108,837	\$ 25,824	\$ 95,140	\$ 2,687
Debt Service as a Percentage of Noncapital Expenditures:	8.44%	12.40%	4.75%	5.40%	5.31%	5.17%

Note: (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.

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

**Assessed Value of Taxable Property⁽¹⁾
 Last Nine Fiscal Years**

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property ⁽²⁾	Unsecured Roll Gross Total ⁽³⁾
2006-07	\$ 277,879,918	\$ 82,230,790	\$ 2,948,207	\$ 20,831,767
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

**Assessed Value of Taxable Property ⁽¹⁾
Last Nine Fiscal Years**

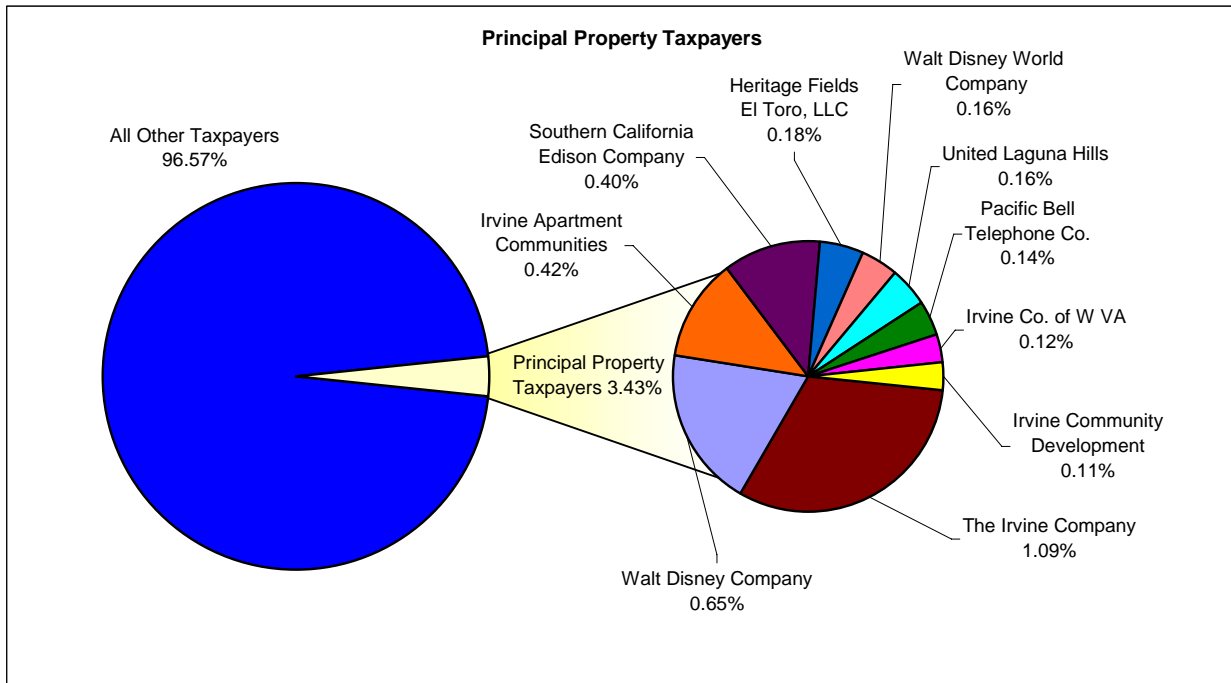
Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent ⁽¹⁾
\$ 383,890,682	\$ (6,613,199)	\$ 377,277,483	1.00
344,852,288	(5,615,327)	339,236,961	1.00
313,932,953	(5,265,627)	308,667,326	1.00
288,790,100	(4,859,310)	283,930,790	1.00
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

- 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

**Principal Property Taxpayers
 June 30, 2007 and June 30, 1998**

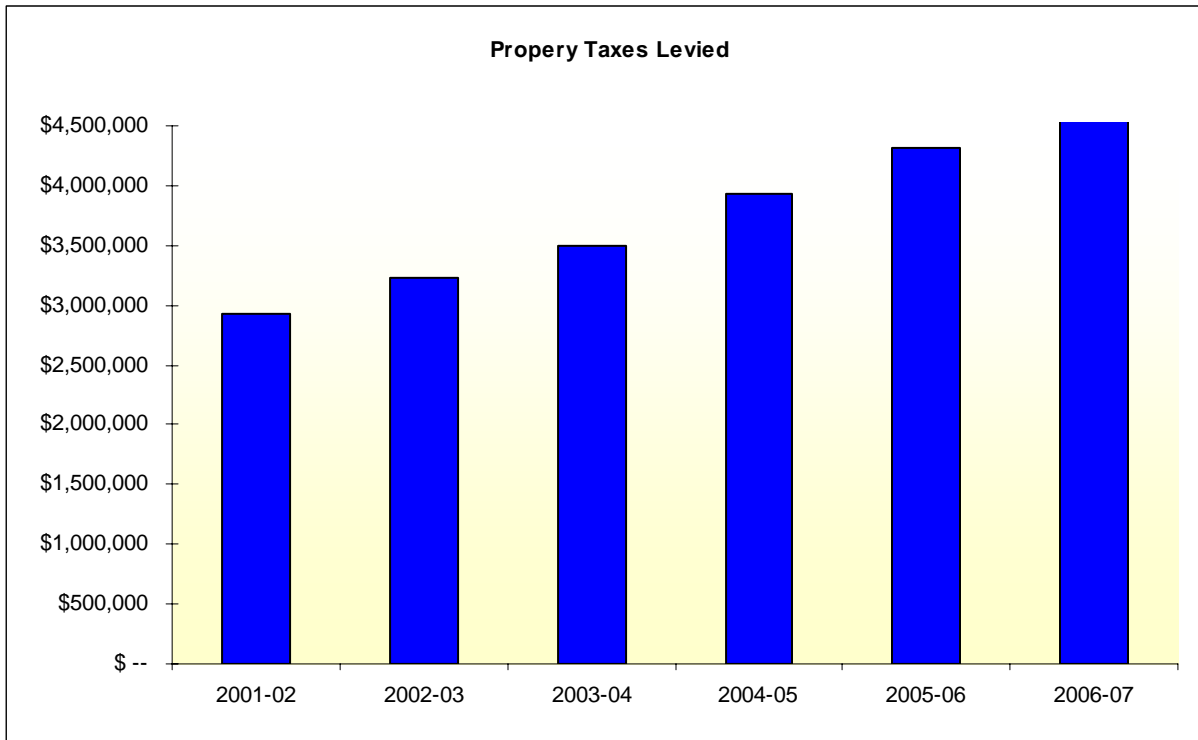
Taxpayer	2007			1998		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
The Irvine Company	\$ 50,787	1	1.09%	\$ 28,299	1	1.46%
Walt Disney Company	30,388	2	0.65%			
Irvine Apartment Communities	19,409	3	0.42%	14,921	4	0.77%
Southern California Edison Company	18,548	4	0.40%	16,140	2	0.83%
Heritage Fields El Toro, LLC	8,424	5	0.18%			
Walt Disney World Company	7,547	6	0.16%	11,434	5	0.59%
United Laguna Hills	7,470	7	0.16%	3,432	10	0.18%
Pacific Bell Telephone Co.	6,464	8	0.14%	15,431	3	0.80%
Irvine Co. of W VA	5,382	9	0.12%			
Irvine Community Development	5,148	10	0.11%	6,416	7	0.33%
Rockwell Semiconductor Systems				6,980	6	0.36%
Talega Associates				6,247	8	0.32%
W.T. Newland Estate				3,854	9	0.20%
Total	\$ 159,567		3.43%	\$ 113,154		5.84%



Source: Treasurer-Tax Collector, County of Orange

**Property Tax Levies and Collections
Last Six Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year ⁽¹⁾	Collections Within the Fiscal Year of the Levy ⁽²⁾		Collections in Subsequent Years	Total Collections to Date ⁽³⁾	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006-07	\$ 4,661,169	\$ 4,499,537	96.53%	\$ 61,208	\$ 4,560,745	97.85%
2005-06	4,323,550	4,133,562	95.61%	46,584	4,180,146	96.68%
2004-05	3,929,458	3,844,104	97.83%	41,080	3,885,184	98.87%
2003-04	3,501,754	3,437,180	98.16%	46,924	3,484,104	99.50%
2002-03	3,236,257	3,154,950	97.49%	46,878	3,201,828	98.94%
2001-02	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.
(3) Total collections to date includes collections of current year taxes and collections of delinquent taxes from prior years. The percentage of levy represents the ratio of total collections to date to the taxes levied for that fiscal year.

Source: Auditor-Controller, County of Orange

**Ratios of Outstanding Debt ⁽¹⁾ by Type
 Last Six 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	Capital Lease Obligations ⁽²⁾
2006-07	\$ 120,019	\$ 23,295	\$ 3,870	\$ -	\$ --	\$ 349,515	\$ 93,533
2005-06	131,420	31,799	4,797	-	--	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

**Ratios of Outstanding Debt ⁽¹⁾ by Type
Last Six 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	Percentage of Assessed Value ⁽³⁾	Per Capita ⁽³⁾	
\$ 70,658	\$ 2,462	\$ 663,352	0.20%	\$ 216	
77,824	--	744,085	0.24%	244	
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	0.46%	393	

- Notes:
- (1) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations. The amounts are reduced by reserves restricted to repay the debt.
 - (2) 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.
 - (3) 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.

Source: Auditor-Controller, County of Orange

**Ratios of Net General Bonded Debt ⁽¹⁾ Outstanding
 Last Six Fiscal Years (in Thousands Except Per Capita)
 (Accrual Basis of Accounting)**

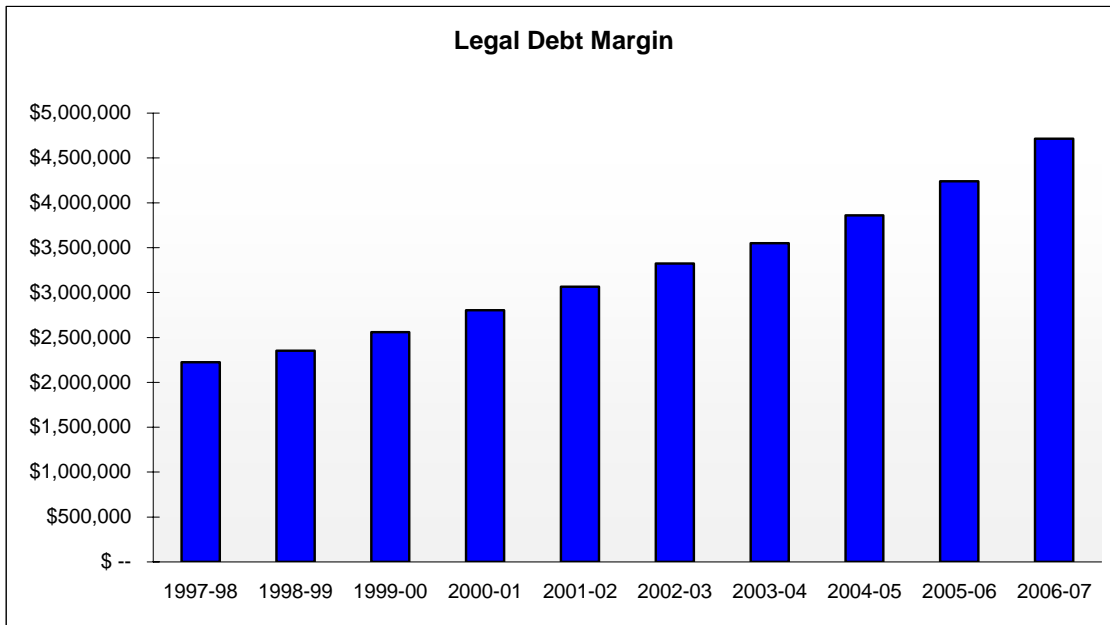
General Bonded Debt Outstanding						
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds	Reserve for Debt Payments	Total (Excess)/ Under	Percentage of Assessed Value ⁽²⁾	Per Capita ⁽²⁾
2006-07	\$ 120,019	\$ 89,891	\$ 89,891	120,019	0.04%	\$ 39
2005-06	131,420	99,714	99,714	131,420	0.04%	43
2004-05	210,705	111,772	258,991	63,486	0.02%	21
2003-04	225,870	116,772	263,275	79,367	0.03%	27
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) Details regarding the County's outstanding debt can be found in Note 10, Long-Term Obligations.
 (2) 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.

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
2006-07	\$ 377,277,483	\$ 4,715,969	\$ --	\$ 4,715,969	0%
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%



Note: The amount of the amount of the general obligation bonded indebtedness the County can incur is limited by law to 1.25 percent of the 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 voting on the proposition.

Source: Auditor-Controller, County of Orange

**Pledged Revenue Coverage
 Last Six Fiscal Years**

Redevelopment Agency Bonds							Public Facilities Corporation Bonds						
Funding Source: Property Tax Increment and Interest Earnings							Funding Source: Interest Earnings and Transfers						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service			Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage					Principal	Interest	Coverage
2006-07	\$ 27,643	\$ 11,196	\$ 16,447	\$ 1,965	\$ 3,196	3.19	2006-07	\$ 2,605	--	\$ 2,605	\$ 927	\$ 1,678	1.00
2005-06	27,925	12,340	15,585	1,939	3,224	3.02	2005-06	2,234	--	2,234	992	1,615	0.86
2004-05	24,776	10,366	14,410	2,257	3,246	2.62	2004-05	2,952	--	2,952	2,520	85	1.13
2003-04	22,208	5,692	16,516	12,200	3,218	1.07	2003-04	2,278	2	2,276	3,960	293	0.54
2002-03	19,832	8,436	11,396	1,935	4,284	1.83	2002-03	3,741	--	3,741	4,485	548	0.74
2001-02	18,262	4,598	13,664	1,105	3,910	2.72	2001-02	10,610	2	10,608	3,065	3,286	1.67

Orange County Public Financing Authority							Orange County Special Financing Authority						
Funding Source: Interest Earnings, Rents and Concessions, and Transfers							Funding Source: Penalties and Costs on Delinquent Taxes and Interest Earnings						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service			Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage					Principal	Interest	Coverage
2006-07	\$ 76,162	\$ 2,137	\$ 74,025	\$ 52,050	\$ 21,656	1.00	2006-07	\$ 13,904	\$ 6,667	\$ 7,237	--	\$ 4,416	1.64
2005-06	73,479	--	73,479	5,340	10,422	4.66	2005-06	11,878	9,470	2,408	--	3,514	0.69
2004-05	8,910	--	8,910	5,170	3,747	1.00	2004-05	9,699	6,163	3,536	--	2,128	1.66
2003-04	9,288	4	9,284	5,010	3,912	1.04	2003-04	9,739	8,978	761	--	1,173	0.65
2002-03	9,988	--	9,988	4,550	4,369	1.12	2002-03	12,465	10,785	1,680	700	1,489	0.77
2001-02	--	--	--	--	--	--	2001-02	--	--	--	--	--	--

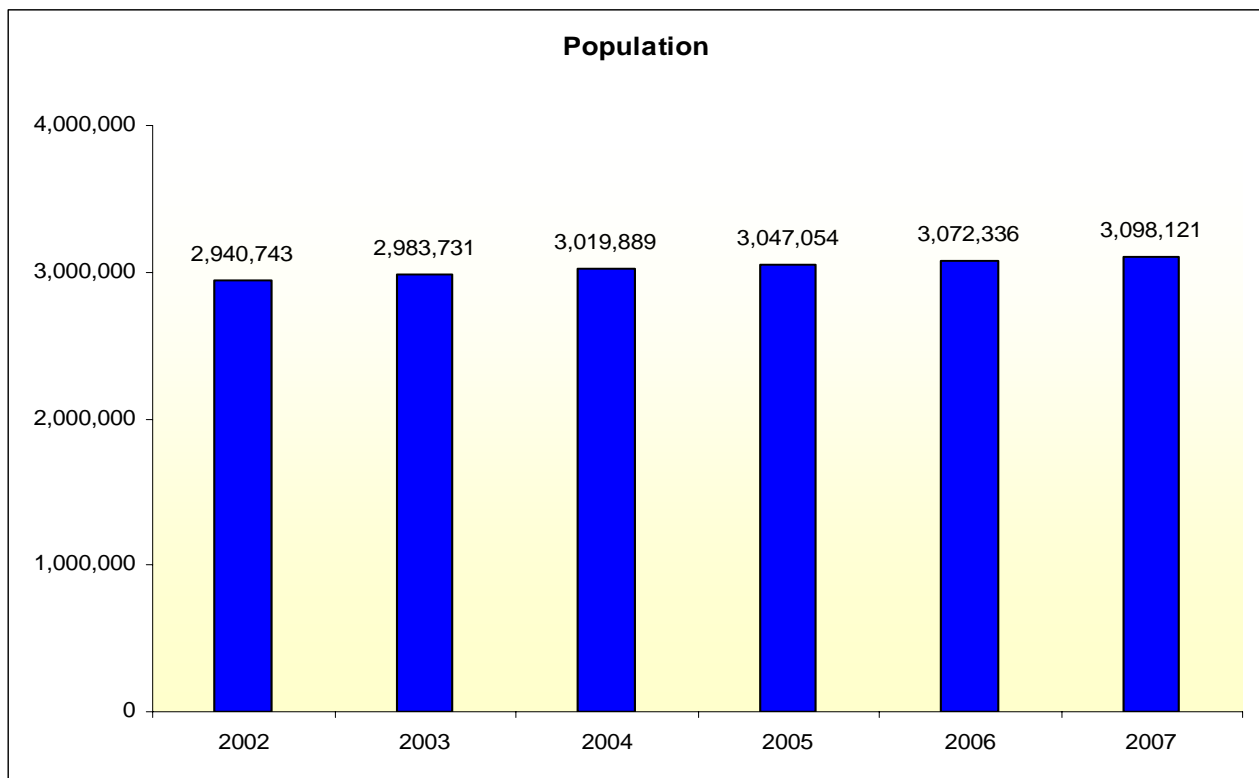
Airport Revenue Bonds							Waste Management Revenue Bonds						
Funding Source: Rents and Concessions, Other Charges for Services, Interest Earnings, and Miscellaneous Revenue							Funding Source: Sanitation Services and Interest Earnings						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service			Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage					Principal	Interest	Coverage
2006-07	\$ 117,879	\$ 82,383	\$ 35,496	\$ 12,120	\$ 6,249	1.93	2006-07	\$ 136,543	\$ 83,278	\$ 53,265	\$ 4,760	\$ 2,788	7.06
2005-06	111,324	75,992	35,332	11,500	6,866	1.92	2005-06	130,475	73,578	56,897	4,515	3,068	7.50
2004-05	99,621	70,459	29,162	10,780	7,401	1.60	2004-05	124,706	84,280	40,426	4,280	3,335	5.31
2003-04	93,523	68,086	25,437	10,790	9,180	1.27	2003-04	118,004	66,946	51,058	4,080	3,535	6.70
2002-03	86,304	64,390	21,914	10,360	9,736	1.09	2002-03	115,766	75,127	40,639	3,905	3,674	5.36
2001-02	81,172	59,102	22,070	9,680	10,290	1.11	2001-02	115,873	68,035	47,838	3,730	3,853	6.31

Notes: (1) 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 Six Calendar Years**

Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income ⁽²⁾ (Actual Dollars)	Median Age ⁽³⁾	Public School Enrollment ⁽⁴⁾ (In Thousands)	Unemployment Rate ⁽⁵⁾
2007	3,098,121	N/A	N/A	N/A	503,955	3.8%
2006	3,072,336	N/A	N/A	35.3	510,114	3.4%
2005	3,047,054	\$ 133,031,819	\$ 44,453	35.1	513,744	3.8%
2004	3,019,889	125,670,056	42,115	34.7	515,464	4.3%
2003	2,983,731	117,722,484	39,745	34.5	512,105	4.8%
2002	2,940,743	111,750,294	38,109	33.7	503,351	5.0%



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, American Community Survey, <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**

2006

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Company	21,000	1	1.29%
County of Orange	18,029	2	1.11%
University of California, Irvine	16,229	3	1.00%
The Boeing Company	12,042	4	0.74%
St. Joseph Health System	9,385	5	0.58%
Yum! Brands Incorporated	6,600	6	0.41%
Ameriquest Capital Corporation	6,300	7	0.39%
California State University, Fullerton	5,256	8	0.32%
PacifiCare Health System	5,074	9	0.31%
Home Depot, Incorporated	5,000	10	0.30%

1998

Employer	Number of Employees	Rank	Percentage of Total County Employment
County of Orange	16,475	1	1.15%
Walt Disney Company	12,633	2	0.89%
The Boeing Company	11,000	3	0.77%
Tenet Healthcare Corporation	10,500	4	0.74%
American Stores Company	7,900	5	0.55%
St. Joseph Health System	6,535	6	0.46%
BankAmerica Corporation	5,300	7	0.37%
Tricon Global Restaurants Incorporated	4,820	8	0.34%
Ralphs Grocery Company	4,688	9	0.33%
Pacific Telesis	4,650	10	0.32%

Source: OC Business Journal Book of Lists, 2006

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

Function/Program	2006-07	2005-06	2004-05	2003-04 ⁽¹⁾	2002-03	2001-02
General Government	1,334	1,384	1,342	1,335	1,317	1,303
Public Protection	6,943	7,068	6,786	6,941	8,667	8,561
Public Ways and Facilities	579	598	544	532	500	481
Health and Sanitation	2,441	2,478	2,424	2,458	2,407	2,424
Public Assistance	3,992	4,029	3,787	3,728	3,946	3,909
Education	351	359	344	349	345	328
Recreation and Cultural Services	257	265	279	277	259	254
Airport	157	150	136	136	129	123
Waste Management	258	263	259	256	226	224
Orange County Children and Families Commission	16	15	12	12	10	7
Total Full-time Equivalent Employees ⁽²⁾	16,328	16,609	15,913	16,024	17,806	17,614

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 (2080) in a fiscal year.

Source: County Executive Office, County of Orange

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

Function/Program	2006-07	2005-06	2004-05
<u>General Government</u>			
Auditor-Controller			
Property Tax Bills Prepared	1,164,584	1,155,562	1,136,302
Assessor			
Number of Real Property Valued	881,233	872,439	859,112
Number of Unsecured Property Assessed	176,000	171,542	168,300
New Parcels Created and Mapped	10,250	14,760	13,800
New Construction Events	19,000	18,260	33,250
County Executive Office			
Volunteer Program Service Hours	923,689	1,021,153	995,739
Clerk-Recorder			
Marriage Licenses Issued	21,088	21,198	27,000
Copies of Birth Certificates Issued	120,817	99,792	130,000
Property-related Document Recordings	849,739	979,733	1,400,000
Treasurer-Tax Collector			
Orange County Investment Pool Return	\$ 167,106,896	\$ 119,560,608	\$ 66,375,267
Orange County Educational Investment Pool Return	\$ 150,134,812	\$ 106,373,702	\$ 56,258,941
<u>Public Protection</u>			
Sheriff-Coroner			
Patrolled Cities Population	571,648	571,456	566,650
Patrolled Unincorporated Areas Population	120,174	118,664	112,800
Number of Bookings to Orange County Jail System	66,869	67,062	64,847
Average Daily Jail Head Count	6,571	6,517	6,054
District Attorney			
Defendants Prosecuted - Adult	74,010	71,094	67,756
Defendants Prosecuted - Juvenile	8,763	7,670	7,470
Probation			
Physical Arrests - Adult	3,000	3,052	2,191
Physical Arrests - Juvenile	1,363	1,421	1,343
Public Defender			
Cases Appointed Annually	83,299	79,785	77,578
<u>Recreation</u>			
Harbor, Beaches and Parks			
Exotic Invasive Plant Removal (acres)	30	15	24
Native Vegetation Restoration (acres)	13	0.5	N/A
New Open Space Management (acres)	--	--	1,004
<u>Public Ways and Facilities</u>			
Resources and Development Management Department (RDMD)			
Building and Home Inspections	32,365	38,945	57,563

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

Function/Program	2006-07	2005-06	2004-05
<u>Health and Sanitation</u>			
Health Care Agency			
Animal Licenses	166,137	167,340	157,921
911 Emergency Medical Services Responses	147,067	141,850	141,284
Retail Food Facility Inspections Conducted	31,475	31,216	28,433
Hazardous Waste Inspections Conducted	6,223	6,122	6,294
Number of Home Visits by Public Health Nurses	38,245	42,646	35,600
Number of Low Income Children Dental Health Services	1,055	993	1,142
Number of Ocean Water Days of Closure (In Beach-Miles)	3	19	79
<u>Public Assistance</u>			
Housing and Community Services			
Adult Day Care Hours of Service	76,005	85,116	79,035
Elderly Nutrition Program Meals Delivered	1,606,272	1,665,392	1,667,021
One-Way Transportation Trips Provided to Seniors	242,415	226,689	213,998
Social Service Agency			
Average Medi-Cal Recipients	317,771	316,949	300,934
Average Monthly Child Abuse Hotline Calls	3,049	2,782	2,909
Average Monthly Food Stamp Recipients	82,132	79,487	79,931
Average Monthly In-Home Supportive Services	12,765	11,877	11,063
Average Persons Receiving Cash Assistance	38,790	40,886	44,008
Average Children in Foster Care/Relative Care	2,692	2,531	2,741
Average Elder and Adult Abuse Unduplicated Reports Received	509	444	449
<u>Education</u>			
Library			
Total Volumes Borrowed at Library Branches	6,734,372	6,919,627	6,913,954
<u>Airport</u>			
John Wayne Airport			
Passengers	9,910,016	9,600,753	9,530,981
Air Cargo Tonnage	22,853	24,246	23,162
Takeoffs & Landings	343,572	348,993	349,936
<u>Waste Management</u>			
Integrated Waste Management Department (IWMD)			
Solid Waste Tonnage	4,706,367	5,063,988	5,124,842
Gallons of Leachate and Impacted Ground Water Collected	3,695,743	3,922,890	3,713,480

Source: County Departments

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

<u>Function/Program</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<u>General Government</u>			
County Executive Office			
Hall of Administration	1	1	1
Data Center	1	1	1
Auditor-Controller			
Hall of Finance and Records	1	1	1
<u>Public Protection</u>			
Probation Department			
Juvenile Institutions	6	5	5
District Attorney			
Justice Center Offices	6	6	6
Sheriff-Coroner			
Crime/Forensic Lab	1	1	1
Jail Facilities	3	3	3
Vehicles	777	646	624
Buses	14	16	14
Helicopters	3	3	3
Boats	3	3	3
Robot Andros	3	2	1
Haz-mat Vehicles	4	4	4
K-9 units	12	20	20
<u>Public Assistance</u>			
Social Service Agency			
Vehicles	7	7	7
Office Locations	27	30	30
<u>Parks and Recreation</u>			
Harbors Beaches & Parks			
Park Land (acres)	32,000	32,000	32,000
Open Land (acres)	7,000	7,000	7,000
Recreational Trails (in miles)	300	300	300
Zoo	1	1	1
Urban Regional Parks	12	12	12
Wilderness Parks	5	5	5
Nature Preserves	3	3	3
Harbors	2	2	2
Beaches	9	9	9
Historical Sites	7	7	7
Boats	9	17	17
Tractors	16	9	8
Trailers	21	15	14
Vehicles/Trucks	135	119	119

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

<u>Function/Program</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
<u>Public Ways and Facilities</u>			
RDMD			
Alternate Fuel Vehicles	50	31	40
Street Miles	317	312	311
Watersheds	13	13	13
Dams	3	3	3
Vehicles/Trucks	48	34	21
Roads			
Dump Trucks	60	63	56
Tractors	28	33	33
Trailers	17	23	20
Vehicles/Trucks	136	133	122
<u>Education</u>			
Library			
Branches	32	32	32
<u>Health</u>			
Public Health Services			
Public Health Laboratory	1	1	1
Water Quality Laboratory	1	1	1
Clinics	11	15	15
<u>Airport</u>			
John Wayne Airport			
Acres	501	501	501
Runways	2	2	2
Public Parking Lots	5	5	5
Terminals	1	1	1
Fire Trucks	4	4	4
<u>Waste Management</u>			
IWMD			
Active Landfills	3	3	3
Inactive Landfills	2	2	2
Household Hazardous Waste			
Collection Centers	4	4	4
Dozers	12	15	17
Dump Trucks	14	4	4
Loaders	21	12	15
Scrapers	15	10	10
Tractors	26	34	28
Graders	5	5	5
Compactors	5	8	10
Water/Fuel Trucks	12	12	13

Source: County Departments





**Auditor-Controller
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