



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

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David E. Sundstrom, CPA
Auditor-Controller

Salt Creek Beach Park

Situated beneath scenic cliffs, Salt Creek Beach Park consists of 18 acres of white sand beach sheltered by rocky promontories, as well as grassy areas above the beach, which offer visitors a breath-taking ocean view. Salt Creek Beach Park first opened to the public in 1972 and today is considered a popular surfing spot in Southern California.

- A ravine canyon locally known as Salt Creek makes the northern boundary of the beach. The grading and landscaping have been completed in such a manner as to blend with natural features leaving the beach and the cliff area undisturbed.
- A paved path on the west side leads to a grassy park with benches, barbecue grills, and picnic tables.
- A small offshore reef creates some of the best-left swells along the entire coastline making Salt Creek Beach Park a famous surfing location. Swimming, sunbathing, castle building and tidepool exploration are other beach activities at Salt Creek Beach Park.

Whether you enjoy water sports or just a walk in a relaxed atmosphere along the seawall, Salt Creek Beach Park is a great place to enjoy a day at the beach.

Salt Creek Beach Park is located in Southern Orange County between the communities of South Laguna and Dana Point. The park entrance is located at Pacific Coast Highway and Ritz Carlton Drive, approximately four miles north of San Diego freeway. Open daily: 5:00 a.m. - 12:00 midnight.

For more information about Salt Creek Beach Park, please visit www.ocparks.com/Saltcreekbeach/.

Acknowledgements:

Surfing photos © Ray Soemarsono www.aperturaphoto.com

Landscape photos and park information provided courtesy of OC Parks.

County of Orange

State of California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2008



David E. Sundstrom, CPA
Auditor-Controller

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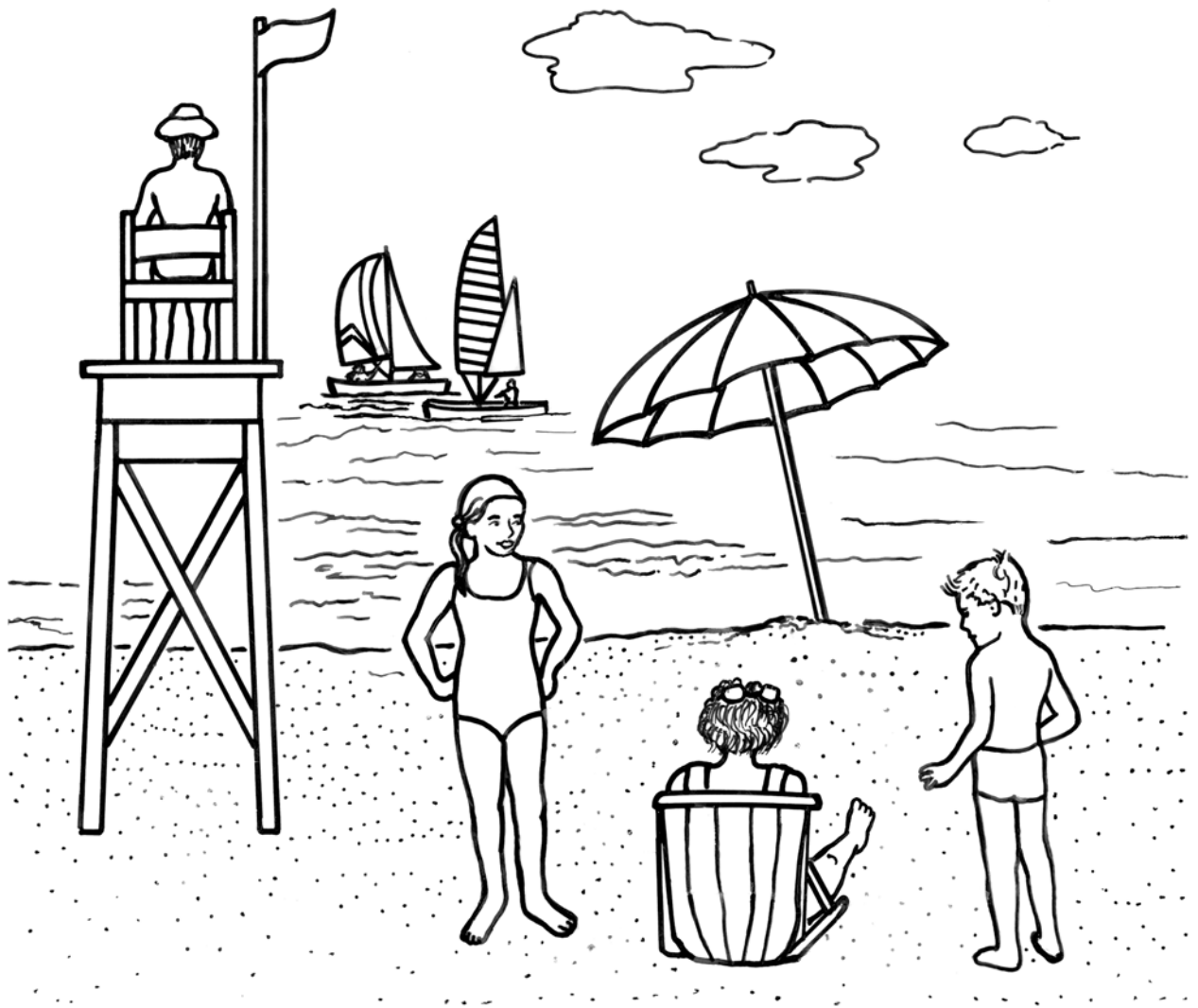
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December 19, 2008

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, 2008, 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 Vavrinek, Trine, Day & Co., 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, 2008, 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, 2008. 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 over 3 million. It represents the third most populous county in the state, and ranks sixth 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 November 2008, voters approved Measure J, which added Article III, Section 301 to the Charter of Orange County requiring voter approval for increases in future retirement system benefits of any employee, legislative officer, or elected official of the County of Orange in the Orange County Employees Retirement System or any successor retirement system, with the exception of statutorily-established cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs. 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 Compliance	Spill Response
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, 2008: 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 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 in the Notes to the Basic Financial Statements.

The newly redesigned 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 2007-2008, over 6 million visits were made to the Orange County web site and those visitors viewed over 18 million pages of information. The County's website includes information about the Board of Supervisors, County job listings, purchasing bid solicitations, County directories, assessment appeals, links to court information and local court rules, voter information, County permits and forms, and financial information. The site also provides several online services, including the ability to view both live and archived Board meetings, and online public comments to Board agendas, ordering birth, death and marriage certificates, performing a fictitious business name search, looking up election results and polling places, paying property taxes. The County continues to improve the website by increasing the 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. External indicators show a downturn in the local economy.

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

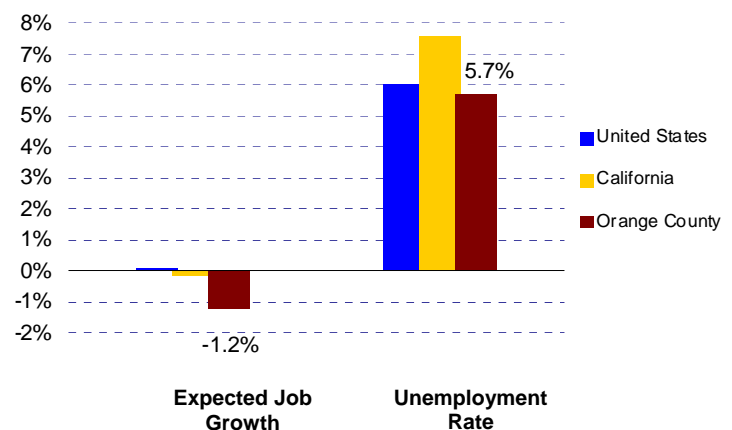
According to Chapman University, Orange County's job growth is expected to decrease by 1.2% in 2008 and result in approximately 17,695 fewer jobs relative to 2007. This compares to a smaller percentage decrease for the State of California (0.2%) and a slight percentage increase at the national level (0.1%).

According to Chapman University, inflation, as measured by the Consumer Price Index (CPI), is expected to be lower for Orange County relative to the U.S. but comparable to the CPI at the State of California level in 2008 (see Table 2).

Table 1 : Unemployment Rate Comparison

Primary Government Entity	July 2008 Unemployment Rate
United States	6.0%
California	7.6%
Los Angeles County	8.0%
Orange County	5.7%
Riverside County	9.3%
San Bernardino County	8.5%
San Diego County	6.4%

Unemployment and Expected Job Growth Rates



Sources: State of California, Employment Development Department
Economic & Business Review, Chapman University, June 2008

Table 2: 2008 – Projected Increase of the CPI

United States	California	Orange County
4.1%	3.3%	3.4%

Orange County's Housing and Urban Development median family income is expected to be \$84,100 (absolute dollars) in 2008, up from \$78,700 (absolute dollars) in 2007. Median family incomes in Orange County continue to exceed all surrounding Southern California counties, the State of California and the nation (see Table 3).

According to DataQuick Information Systems, the median home sales price for new and existing homes in Orange County was \$461,000 (absolute dollars) in July 2008, representing a 28.0% decrease relative to July 2007. This decrease in Orange County is reflected in other Southern California Counties as well. The actual median sales price in Orange County continues to exceed all surrounding counties (see table 4).

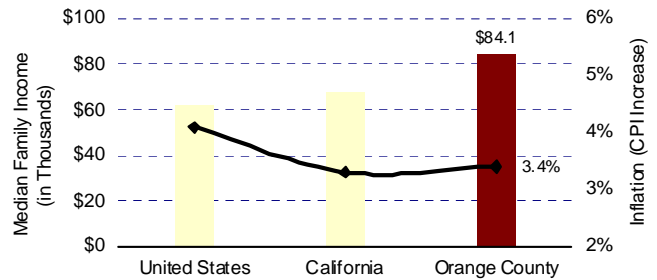
For the future, Chapman University is projecting that while housing appreciation will continue to decline, housing affordability (compared to other parts of the country) will remain low.

In terms of internal trends, current and projected indicators suggest that the Orange County economy will decline throughout 2008. Comparisons of Orange County's unemployment rates show a gradual increase since March 2008. Historical point-in-time unemployment rates in Orange County during the month of July show steady increase since 2006.

Table 3: Median Family Income Comparison

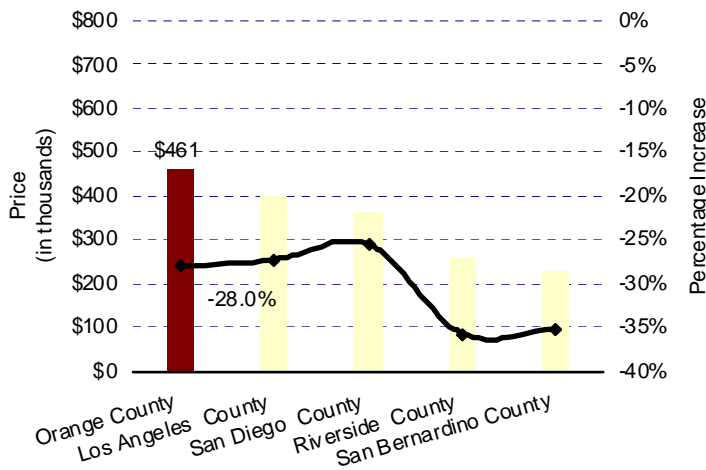
Primary Government Entity	Median Family Income (absolute dollars)
United States	\$61,500
California	\$67,800
Los Angeles County	\$59,800
Orange County	\$84,100
Riverside County	\$62,000
San Diego County	\$72,100

Comparisons of Inflation and Median Family Income



Sources: Economic & Business Review, Chapman University, June 2008
 U.S. Department of Housing and Urban Development, 2008

Median Home Sales Price and Price Increase Comparison



Source: DataQuick Information Systems, July 2008

Table 4: Median Home Sales Price Comparison – Southern California Counties – July 2008

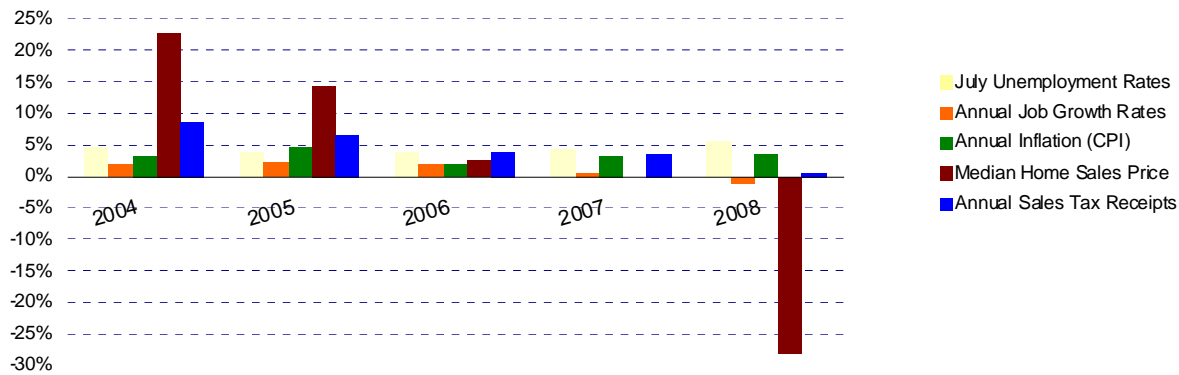
Primary Government Entity	Median Home Sales Price Change Increase/(Decrease)	Median Home Sales Price (absolute dollars)
Los Angeles County	(27.2%)	\$400,000
Orange County	(28.0%)	\$461,000
Riverside County	(35.7%)	\$260,000
San Bernardino County	(35.3%)	\$230,000
San Diego County	(25.5%)	\$364,000

Table 5 shows various internal indicators reflecting the slowing of the Orange County economy. First, job growth has decreased since 2005. Second, year-to-year home sales prices have continued to decrease for several years. Third, taxable sales in Orange County have continually declined for the past two years.

Table 5: Orange County Historical Data

Historical Indicators	2004	2005	2006	2007	2008
July Unemployment Rates	4.6%	4.0%	3.8%	4.3%	5.7%
Annual Job Growth	1.9%	2.3%	1.9%	0.4%	(12.0%)
Annual CPI Inflation	3.3%	4.5%	1.9%	3.3%	3.3%
Median Home Sales Price increase	22.7%	14.5%	2.6%	0.0%	(28.0%)
Annual Change in Sales Tax Receipts	7.9%	9.3%	8.2%	(0.2%)	(2.0%)

**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 2008
DataQuick Information Systems, July 2008
Auditor-Controller, County of Orange

In summary, economic growth in Orange County continues to show signs of slowing down. Projected trends suggest a continuing pattern.

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. 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.

The Orange County Board of Supervisors adopted the 2008 Strategic Financial Plan (SFP) on December 16, 2008. The 2008 SFP is the foundation in planning for continued financial stability and will be augmented via the monitoring and establishment of budgetary controls, via the Fiscal Year (FY) 2008-09 quarterly budget reporting process and the adoption of the FY 2009-10 Budget. The five-year SFP projections indicate that discretionary revenue growth rates will remain flat or grow at a much slower rate than predicted in prior years SFPs. The continued economic decline, coupled with the erosion in consumer confidence could result in a steeper decline in revenue growth beyond that already projected. As such, sustained operation will require that the County continue to conserve financial resources.

In order to address identified budget issues and prepare for the continued uncertainty of the general and local economy, the following represent some of the actions taken or identified as options for early planning. Early action is critical to ensure baseline services are met and that the County continues to experience financial stability.

- A 4.5% reduction in Net County Cost (NCC) for the current year was approved in the FY 2008-09 First Quarter Budget Report for immediate implementation and the 2008 SFP reflects zero growth in FY 2009-10 NCC limits.
- Action has been proposed to increase the General Fund reserves to target levels consistent with the policy approved by the Board in the 2007 SFP. It will provide a buffer against further downturn in the economy and provide a level of resources for funding critical, one-time items when other sources cannot be identified.
- Actions to delete vacant positions and a hard hiring freeze were implemented.
- Projections of State impacts from the Governor's May Revised Proposed Budget were adopted in the County's FY 2008-09 budget. Departments continue to monitor for additional impact and take action when quantifiable.
- Capital project and information technology projects were identified for deferral.
- Equipment and capital asset purchases are being deferred where appropriate.

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 the SARP was initiated in 1989, and completion is scheduled for 2015.

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 16, 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 April 2008, AB 1491 extended the deadline to December 2009 for the transfer of court facilities to the State. 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 Lamoreaux Justice Center, current space allocation, current parking space allocation, approved capital projects, former Federal modular court facility and transfer/financing 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 \$126,000, which will be financed through the issuance of bonds. The County's contribution towards debt service will be capped at \$2,000 per year for 30 years. The County's \$2,000 annual cost will be reduced by the 30-year amortized annual cost of South Justice Center land value of \$7,000, or an estimated annual reduction of \$450-\$500. A second reduction to the County's \$2,000 annual cost could be the net leased rent cost of current Laguna Hills lease facility (over \$890 per year), contingent

on the terms of an agreement for the transfer of current court facilities. The State AOC will pay the balance of the debt service. The County, Superior Court and the State AOC will be researching options for financing and construction of the project. The State AOC will be managing the contract after selection of the contractor. On November 12, 2008 the Superior Court advised the County that the project will be officially declared "on hold."

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 following table 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.
Multi-year 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.

Relevant Financial Policies (Continued)	
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.
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 2007-08, 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	The County presents a set of disclosures in the County's adopted Budget document and the CAFR.
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 20% 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	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.
Public Financing Advisory Committee	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, each representing a district, and three Ex-Officio County government members (the County Executive Officer (non-voting), the elected Treasurer-Tax Collector, and the elected Auditor-Controller).

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 and applicable ethical standards, as well as conflicts of interest and fraud policies. The AOC membership consists of five Ex-Officio members: the Chairman and Vice-Chairman of the Board of Supervisors, the elected Auditor-Controller, the County Executive Officer, the elected Treasurer-Tax Collector (non-voting), and one public member from the private sector appointed by the Board of Supervisors.
Treasury Oversight Committee	<p>The Treasury Oversight Committee (TOC) is responsible for reviewing and monitoring the annual Investment Policy Statement (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.</p> <p>On January 29, 2008, the Board of Supervisors received their requested Final Report on Risk Analysis of the Treasurer's Investment Pools prepared by PFM Asset Management LLC (PFM). The overall favorable report made many recommendations for enhancements to the Treasurer's IPS, internal policies and procedures, and suggestions for the TOC. The Board directed the TOC, the Treasurer and the CEO to review and develop a plan (the Plan) to implement PFM's recommendations where appropriate.</p> <p>The Plan will be presented to the Board for approval on December 16, 2008, along with a revised IPS implementing PFM's recommendations and other IPS changes, including a prohibition from purchasing structured investment vehicles (SIVs).</p>
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 for reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees.

Investment Strategies in Uncertain Financial Markets

The Treasurer's Investment Pools have weathered the turbulent financial markets well. Over the last year the Treasurer has shifted his investment strategy away from a heavy concentration in finance companies to a heavy concentration of holdings in United States government agencies effectively guaranteed by the Federal government. The Treasurer has combined a strategic focus to keep the Pools' investments safe with maintenance of liquidity in excess of the participants' cash needs.

Major Initiatives

Water Quality: The County of Orange, Orange County Flood Control District (District), and 34 cities operate water quality programs pursuant to the 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. Permits are expected to be reissued with revised requirements during 2009.

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.

County Reorganization and Department Name Changes: To improve the delivery of services and fiscal responsibility, the Board of Supervisors on March 18, 2008, approved the restructuring of County departments along with name changes for OC Infrastructure departments. The reorganization includes the establishment of two new departments: OC Public Works and OC Community Resources. It is anticipated that the reorganization will improve the financial position of smaller departments through shared administrative resources and the elimination of duplicative services. The estimated cost savings is projected at \$500. Programs from the Resources and Development Management, Housing and Community Services, Public Library, and the Health Care Agency's Animal Care Services division will be reconfigured to comprise the OC Public Works and OC Community Resources departments, respectively. Specifically, OC Public Works will include OC Planning, OC Road & Flood and OC Facilities. OC Community Resources will include OC Community Services, OC Parks, OC Public Libraries and the OC Animal Care.

To clearly communicate County services to our community, the Integrated Waste Management Department will retain its current structure under the name "OC Waste & Recycling." The renamed "OC Dana Point Harbor" will continue its focus on the permit approval process for implementing the Revitalization Plan.

County of Orange Retiree Medical Plan: On April 6, 1993, the County Board of Supervisors (The Board) approved the County of Orange Retiree Medical Plan (the Retiree Medical Plan) to become effective August 1, 1993. Historically, the County paid Retiree Medical Plan liabilities on a "pay-as-you-go" basis and had not established a permanent funding policy for the Retiree Medical Plan. As originally established, the Retiree Medical Plan was funded from a combination of County employee contributions and what is referred to as "excess reserves" from The Orange County Retirement System (OCERS) investment portfolio. Excess reserves are earnings above the assumed actuarial rate of return for the OCERS investment portfolio.

In recent years, the Retiree Medical Plan has been challenged in 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 Retiree 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 Governmental Accounting Standards Board (GASB) Statement No. 45, which created additional reporting requirements for Other Postemployment Benefits (OPEB). GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" 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.

To address these challenges, the Board approved labor agreements with the Orange County Employees Association (OCEA), the Operations and Service Maintenance Unit (Alliance of Orange County Workers formerly represented by Service Employees International Union), the Orange County Managers Association (OCMA), the Orange County Attorneys Association (OCAA), and the International Union of Operating Engineers (IUOE), and amended its Personnel and Salary Resolution with respect to certain unrepresented employees which restructured the Retiree Medical Plan effective June 23, 2006. A First Amended and Restated County of Orange Retiree Medical Plan (First Amended Retiree Medical Plan) was approved by the Board of Supervisors on June 19, 2007 to incorporate the restructuring changes for the aforementioned employees.

In October 2007, the Board approved and adopted a Memorandum of Understanding (MOU) agreement with the Association of Orange County Deputy Sheriffs (AOCDS) which restructured the Retiree Medical Plan for these employees effective October 12, 2007. A Second Amended and Restated County of Orange Retiree Medical Plan (Second Amended Retiree Medical Plan) was approved by the Board of Supervisors on August 12, 2008 which incorporated the restructuring changes for AOCDS.

Following the Board's approval of the Second Amended Retiree Medical Plan and the AOCDS restructuring of the Retiree Medical Program, the County's total UAAL from the June 2007 valuation for all labor groups combined was approximately \$408,322 (unaudited), which is a decrease of \$1,010,370 (unaudited) from the June 30, 2005 valuation amount of \$1,418,692 (unaudited).

Refer to Note 20, Postemployment Health Care Benefits, for further details on the Retiree Medical Plan.

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, 2007. This represents the County's thirteenth 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.

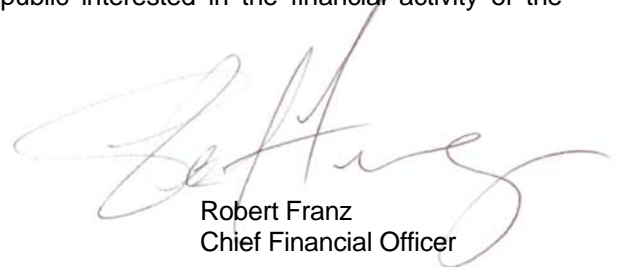
In addition, the County issued its fifth consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2007. The County received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for this PAFR. The award is a prestigious 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: We would like to express our sincere appreciation to County staff and the staff of the certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. We 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



Robert Franz
Chief Financial Officer

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, 2007

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.



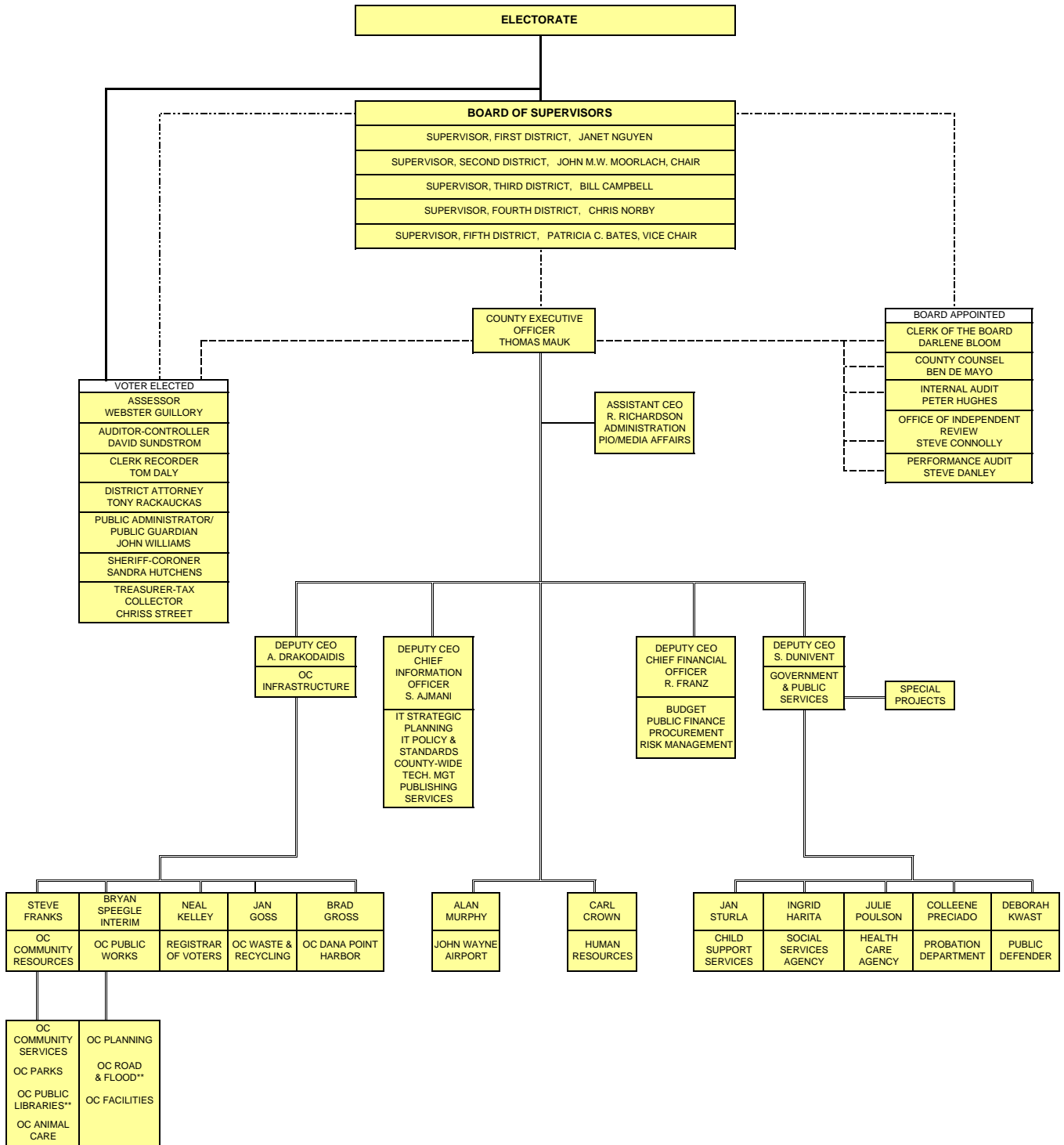
Chloe S. Cox

President

Jeffrey R. Enos

Executive Director

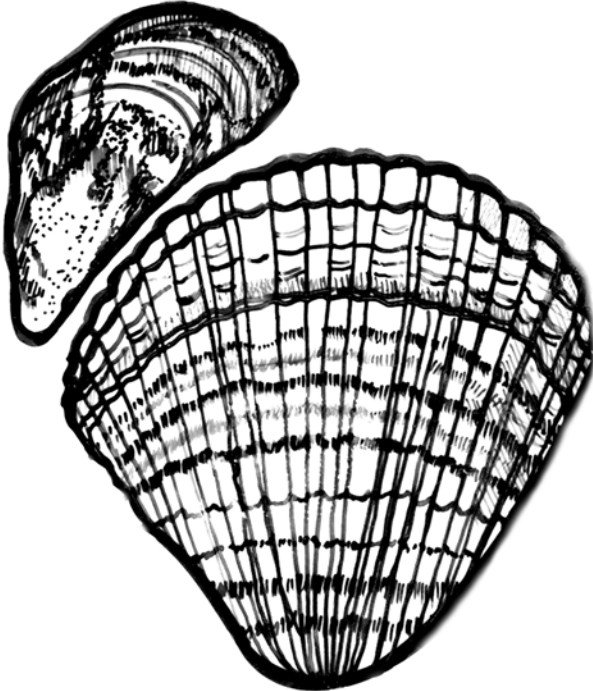
ORGANIZATIONAL CHART



LEGEND	
	ELECTED BY THE PUBLIC
	APPOINTED BY THE BOARD OF SUPERVISORS
	ELECTED OFFICIALS: STATUTORILY - REQUIRED BOARD ADMINISTRATIVE AND BUDGET OVERSIGHT
	ADMINISTRATIVE COORDINATION AND BUDGET OVERSIGHT
	ADMINISTRATIVE AND BUDGET DIRECTION
	POSITION IS APPOINTED BY THE BOARD OF SUPERVISORS BUT REPORTS TO THE CEO

SOURCE: Orange County Executive Office/County Budget









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, 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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and each of the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the County has adopted the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers*, and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, 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 important for assessing the results of our audit.

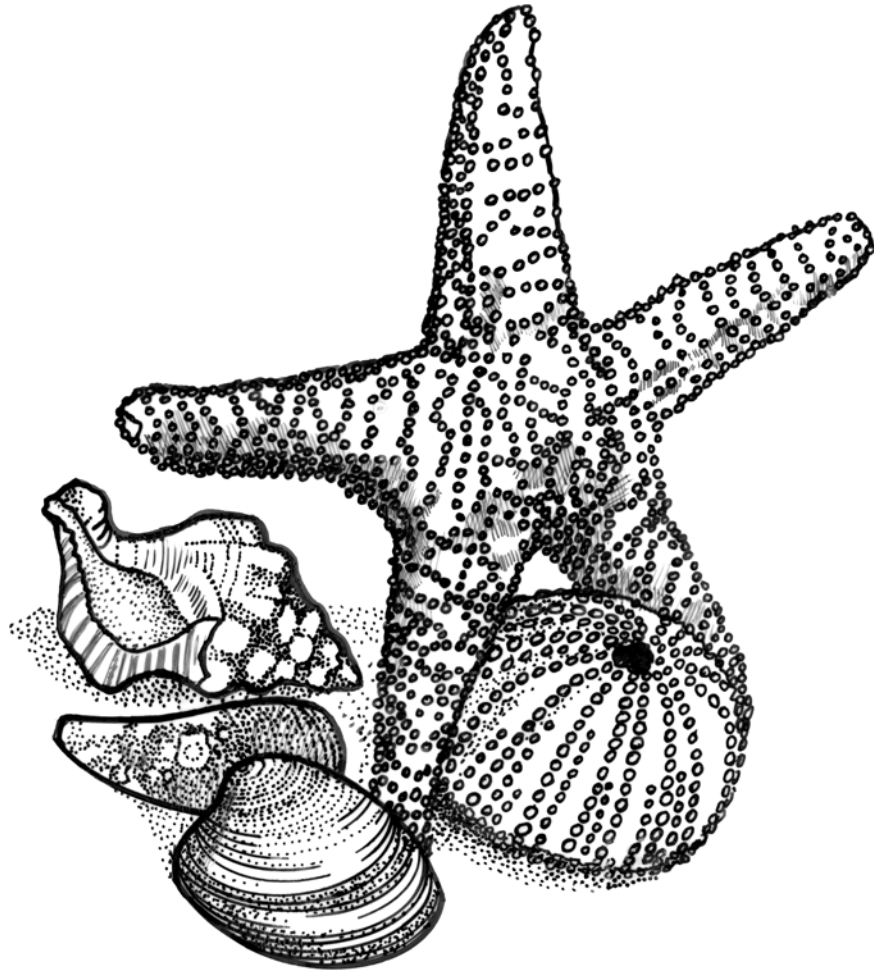
The management's discussion and analysis on pages 17 through 39 and the schedules of funding progress and employer contributions on pages 138 through 139 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in 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 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 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.

Vannich, Terrie, Day & Co., LLP

Rancho Cucamonga, California
December 19, 2008







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, 2008. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clearer picture of the County’s overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$108,970 or 2% as compared to last year.
- Long-term debt decreased by \$98,918, or 10% during the current fiscal year.
- As of the end of the fiscal year, the County’s governmental funds reported combined ending fund balances of \$2,065,487, a decrease of \$32,576, or 2% in comparison with the prior year.
- At June 30, 2008, unreserved fund balance in the General Fund was \$36,432, or 1% of total FY 2007-08 expenditures and transfers of \$2,936,379.
- General Fund revenues and transfers ended the year 3% below budget.
- General Fund expenditures and transfers ended the year 5% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Type of Financial Statement	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Fund Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Scope	Entire entity (except fiduciary funds)	Day-to-day operating activities for basic services	Day-to-day operating activities for business-type services	Resources on behalf of others
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting 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 (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 2007-08, an increase of \$79,041 in net assets in the government-wide financial statements was reported, and a decrease of \$32,576 in fund balance was reported in the fund financial statements. Refer to the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" for details on the factors contributing to these differences.

The County maintains several individual governmental funds organized according to their type (General Fund, Special Revenue, Debt Service, Capital Projects and Permanent Funds). Information is presented separately in the governmental funds Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is always a major fund, and all other major funds. Information for nonmajor funds is presented in the aggregate in these statements. Individual fund data for each of the nonmajor governmental funds is presented elsewhere in this report. The County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements and schedules have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds - The County maintains two different types of proprietary funds: Enterprise Funds and Internal Service Funds. **Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Airport and Waste Management. **Internal Service Funds** are used to accumulate and allocate costs internally among the County's various functions such as insurance, 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, 2008, the County's combined net assets (governmental and business-type activities) totaled \$4,684,999, an increase of 2% from FY 2006-07.

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

COMPONENTS OF NET ASSETS

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

The County's **restricted** net assets total \$1,929,034 which represents 41% 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, 2008, governmental activities showed \$57,812 in unrestricted net assets, compared to \$135,826 in FY 2006-07.

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

NET ASSETS – Primary Government						
June 30, 2008						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other assets	\$ 3,000,431	\$ 3,246,730	\$ 801,300	\$ 744,233	\$ 3,801,731	\$ 3,990,963
Capital assets	2,388,820	2,366,219	520,657	501,529	2,909,477	2,867,748
Total Assets	5,389,251	5,612,949	1,321,957	1,245,762	6,711,208	6,858,711
LIABILITIES						
Long-term liabilities	1,309,632	1,369,667	321,123	329,881	1,630,755	1,699,548
Other liabilities	302,208	513,682	93,246	69,452	395,454	583,134
Total Liabilities	1,611,840	1,883,349	414,369	399,333	2,026,209	2,282,682
NET ASSETS						
Invested in capital assets, net of related debt	2,302,926	2,273,891	395,227	359,544	2,698,153	2,633,435
Restricted	1,416,673	1,319,883	512,361	486,885	1,929,034	1,806,768
Unrestricted	57,812	135,826	--	--	57,812	135,826
Total Net Assets	\$ 3,777,411	\$ 3,729,600	\$ 907,588	\$ 846,429	\$ 4,684,999	\$ 4,576,029

As of June 30, 2008, the County's total assets decreased by 2%, or \$147,503 during the current fiscal year. Current and other assets decreased by \$189,232 (5%) primarily as a result of the amortization of the prepaid pension cost in FY 2007-08 to pay the County's annual required contribution (ARC) to the Orange County Employees Retirement System (OCERS). In January 2007, the County issued pension obligation notes in the amount of \$211,065, of which \$210,810 were used for the prepayment of FY 2007-08 pension costs. In September 1994, the County issued \$320,000 of pension obligation bonds, of which \$318,000 were deposited into a County Investment Account with OCERS to maintain and allows the County to draw down from the Investment Account over time to fund the County's portion of the pension unfunded actuarial accrued liability to OCERS. As pension costs were incurred in FY 2007-08, the prepaid cost was amortized to recognize the consumption of this asset used to fund the County's ARC. Refer to Note 19, Retirement Plans for further information. The decrease in current and other assets is also attributable to a reduction in restricted investments with trustee for retirement of long-term obligations, and a reduction in interest receivable resulting from declining yields in the County's Investment Pool. Capital assets increased by \$41,729.

Total liabilities for this year decreased by 11% or \$256,473. Other liabilities decreased by \$187,680 (32%), mostly due to the retirement of the Taxable Pension Obligation Bonds Series 2007. Long-term liabilities decreased by \$68,793 (4%) due to the retirement of long-term obligations and capital lease obligations payable. Refer to Note 12, Long-Term Obligations, for the reduction of the specific obligations.

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, 2008						
	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 525,524	\$ 504,324	\$ 225,687	\$ 239,109	\$ 751,211	\$ 743,433
Operating Grants and Contributions	1,735,820	1,759,887	569	691	1,736,389	1,760,578
Capital Grants and Contributions	46,308	69,340	15,188	6,731	61,496	76,071
General Revenues:						
Property Taxes	461,682	453,541	--	--	461,682	453,541
Property Taxes in Lieu of Motor Vehicle License Fees	224,210	206,933	--	--	224,210	206,933
Other Taxes	84,434	54,644	--	--	84,434	54,644
Grants and Contributions not Restricted to Specific Programs	23,434	1,917	--	--	23,434	1,917
State Allocation of Vehicle Motor License Fees	54,656	58,487	--	--	54,656	58,487
Other General Revenues	94,660	153,078	32,092	35,706	126,752	188,784
Total Revenues	3,250,728	3,262,151	273,536	282,237	3,524,264	3,544,388
EXPENSES						
General Government	264,049	281,739	--	--	264,049	281,739
Public Protection	1,164,458	1,055,593	--	--	1,164,458	1,055,593
Public Ways and Facilities	131,563	96,776	--	--	131,563	96,776
Health and Sanitation	576,160	527,541	--	--	576,160	527,541
Public Assistance	862,709	794,862	--	--	862,709	794,862
Education	37,728	32,722	--	--	37,728	32,722
Recreation and Cultural Services	75,612	80,279	--	--	75,612	80,279
Interest on Long-Term Debt	76,210	65,961	--	--	76,210	65,961
Airport	--	--	86,750	90,524	86,750	90,524
Waste Management	--	--	101,990	85,378	101,990	85,378
Total Expenses	3,188,489	2,935,473	188,740	175,902	3,377,229	3,111,375
Excess before Transfers and Special Items	62,239	326,678	84,796	106,335	147,035	433,013
Transfers	16,802	14,130	(16,802)	(14,130)	--	--
Special Items	--	--	(6,835)	--	(6,835)	--
Increase in Net Assets	79,041	340,808	61,159	92,205	140,200	433,013
Net Assets - Beginning of the Year, as Restated	3,698,370	3,388,792	846,429	754,224	4,544,799	4,143,016
Net Assets - End of the Year	\$ 3,777,411	\$ 3,729,600	\$ 907,588	\$ 846,429	\$ 4,684,999	\$ 4,576,029

As of June 30, 2008, the County's net assets increased by 3%, or \$140,200 during the current fiscal year. Revenues for the year totaled \$3,524,264, a decrease of \$20,124 from the previous year, and expenses totaled \$3,384,064, an increase of \$272,689.

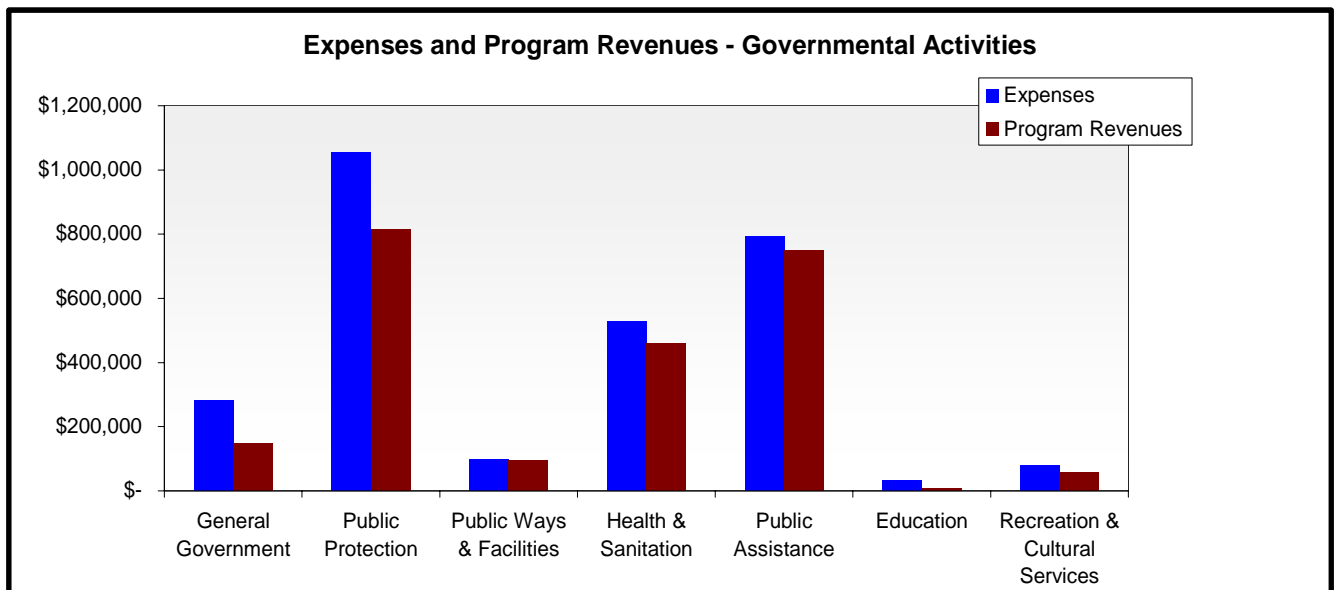
Governmental Activities

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.

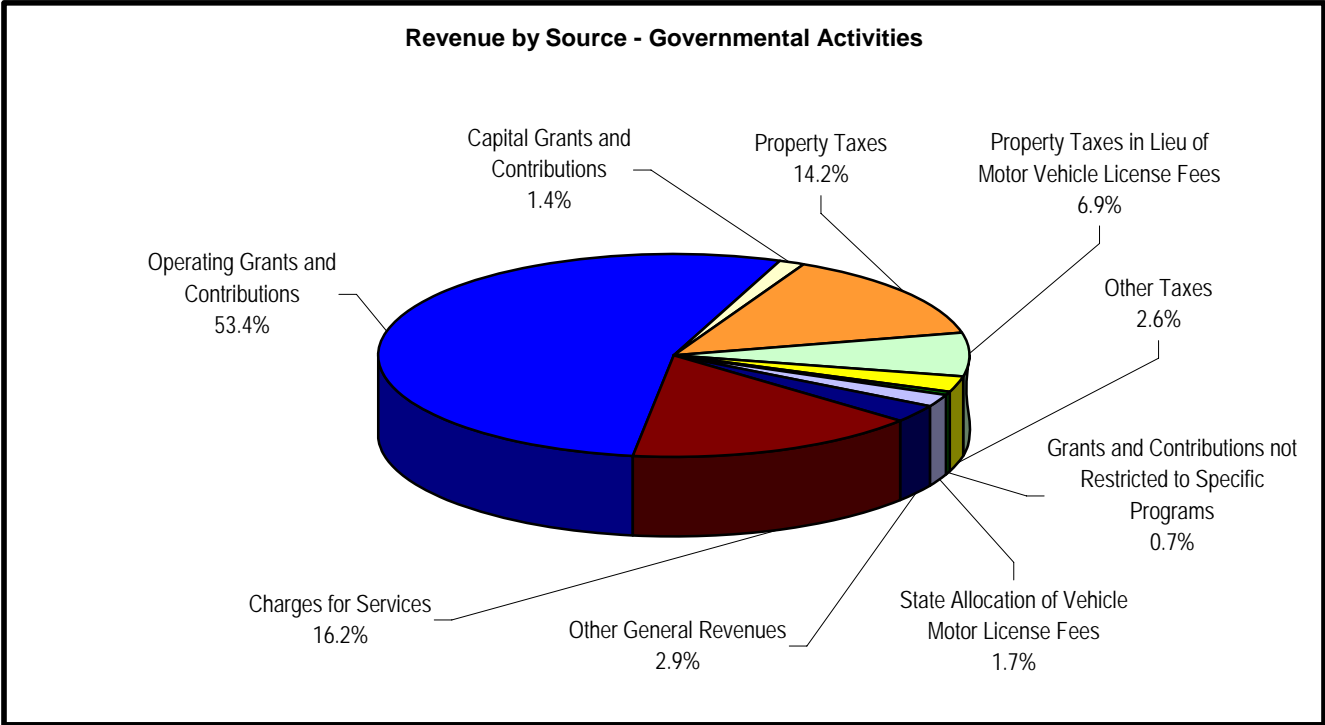
At the end of FY 2007-08 total revenues for the governmental activities, including transfers from the business-type activities were \$3,267,530, a decrease of \$8,751 from the previous year. Expenses totaled \$3,188,489, an increase of \$253,016 from the prior year. Governmental activities increased the County’s net assets by \$79,041, accounting for 56% of the total growth in the net assets of the County. In addition to the effects of expenditure-driven grants, key elements of the increase are as follows:

- Property taxes in-lieu of vehicle license fees (VLF) increased by \$17,277 due to the increasing assessed property values in FY 2007-08 from FY 2006-07. The property tax in-lieu of VLF is calculated as prior year’s VLF amount inflated for the increase in the growth of locally assessed property values; and under Proposition 13, the taxable value of properties is limited by an inflation adjustment of up to 2% per year.
- Other taxes increased by \$29,790, primarily due to higher penalties collected from delinquent property taxes.
- Charges for services increased by \$21,200 due to the increase in the Sheriff’s court security services and the recognition of reimbursed fees from the State for automated system costs and vehicle maintenance costs.
- Capital grants and contributions decreased by \$23,032 due primarily to the capital contributions from the State for the Santa Ana River Mainstem Project recorded in the prior year.
- Higher salaries (including extra-help and overtime) and pension costs were experienced in most functions and increased by approximately \$147,221 from FY 2006-07. In addition to these costs, professional services and contracts for various health and sanitation, public protection and public assistance programs increased by approximately \$165,941 from FY 2006-07. Refer to the fund analysis for additional details on the functional professional services and contracts expenses.

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

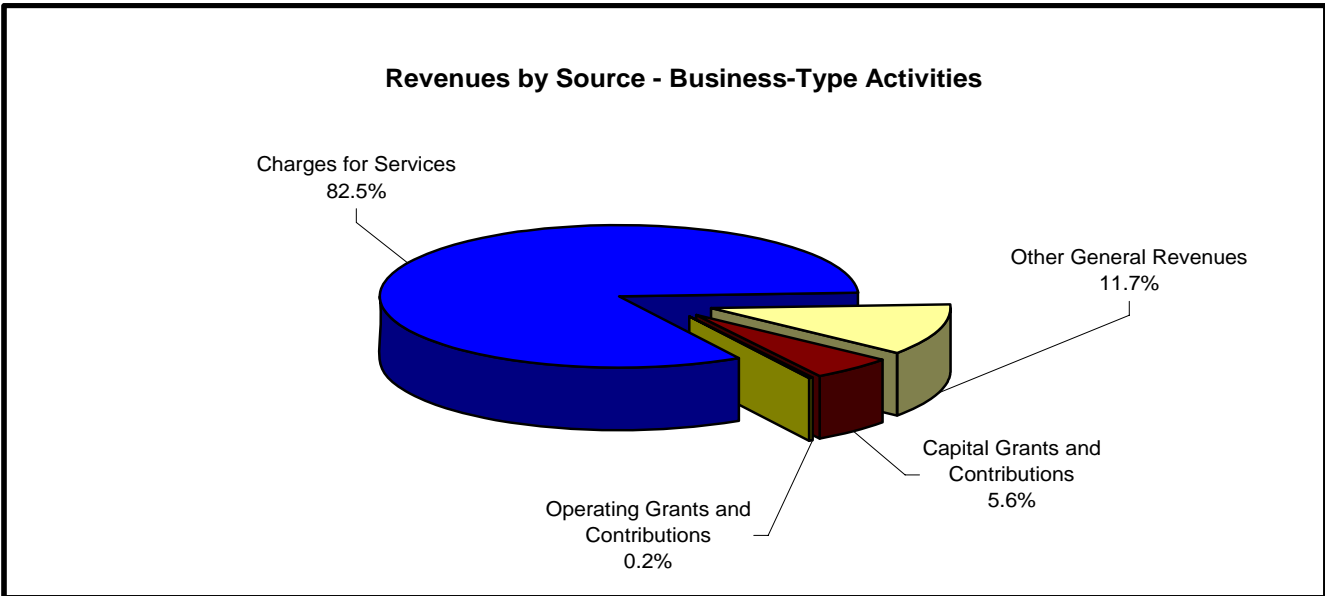


The chart below presents the percentage of total revenues by source for governmental activities:



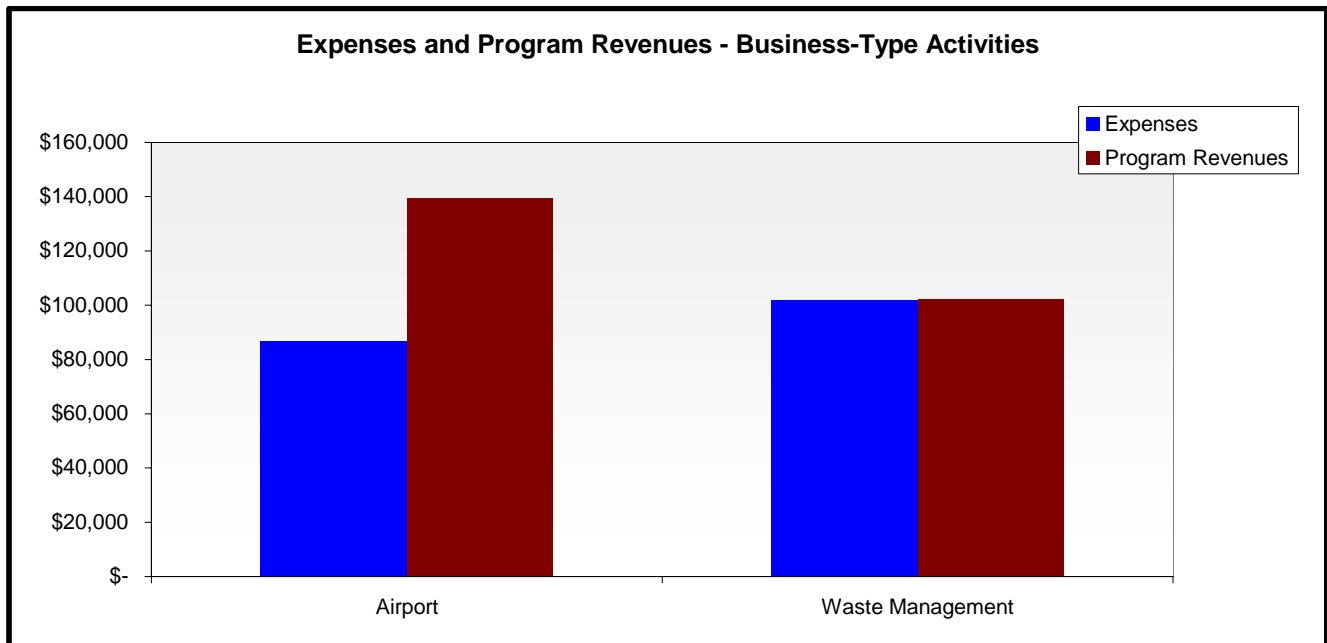
Business-Type Activities

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



At the end of FY 2007-08, the business-type activities' total revenues exceeded expenses resulting in an increase in net assets of \$61,159, compared to the prior year's increase of \$92,205. Revenues totaled \$273,536, a decrease of \$8,701 from the prior year; this decrease is primarily due to a smaller amount of disposal fees charged to users of the waste disposal sites than anticipated, and a decrease in interest revenue resulting from declining investment yields in the County's Investment Pool. Expenses, including transfers to the governmental activities and the special item, totaled \$212,377, resulting in an increase of \$22,345 from the previous year; the increase in expenses is primarily due to litigation settlement costs associated with the Sparks Pit Refuse Disposal Station, rising equipment maintenance costs, and an increase in the landfill site closure/postclosure costs. The program revenues (charges for services, operating grants and contributions, and capital grants and contributions) financed the majority of expenses recorded for the business-type activities. Other factors concerning the finances of the County's two enterprise funds are discussed in the Proprietary Funds section of the "Financial Analysis of the County's Funds."

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, 2008, the County's governmental funds reported total fund balances of \$2,065,487 which is a decrease of \$32,576 in comparison with the prior year. Of the total fund balances for the governmental funds, \$1,293,871 (63%) 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.
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.
OC 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 automated fingerprint identification systems, investigation teams and child support information.
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, 2008						
	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2008	2007	2008	2007	2008	2007
General Fund	\$ 2,867,612	\$ 2,627,540	\$ 2,936,379	\$ 2,601,935	\$ (68,767)	\$ 25,605
Roads	78,564	61,031	75,515	52,401	3,049	8,630
Flood Control District	150,215	139,729	93,047	111,116	57,168	28,613
OC Parks	113,566	112,521	80,816	87,972	32,750	24,549
Other Public Protection	81,591	80,409	117,440	70,333	(35,849)	10,076
Other Governmental	517,094	586,769	538,021	484,580	(20,927)	102,189
Total	\$ 3,808,642	\$ 3,607,999	\$ 3,841,218	\$ 3,408,337	\$ (32,576)	\$ 199,662

* Public Library and Tobacco Settlement Special Revenues Funds have been reclassified as nonmajor Other Governmental Funds in FY 2007-08.

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 2007-08, expenditures exceeded revenues resulting in a decrease in fund balance of \$68,767 compared to last year's increase in fund balance of \$25,605. Salaries and pension costs increased by \$72,142 for Public Protection, \$18,160 for Health and Sanitation, and \$17,828 for Public Assistance. There was also a noticeable increase in professional service contract costs within the Public Assistance and Health and Sanitation functions: (1) Health Care Agency (HCA) incurred \$46,779 of additional costs for the Mental Health Services Act and the Coverage Initiative Human Services program; (2) Social Services Agency (SSA) expended \$16,084 of additional costs on Welfare-to-Work preventive services to divert families from entering the Child Welfare System and the Wraparound Program which provides individualized, comprehensive, community-based services and supports children and adolescents with serious emotional and/or behavioral disturbances so they can be reunited and/or remain with their families and communities. Property tax revenues increased by \$26,266 as a result of the annual inflation of locally assessed properties up to 2% under Proposition 13. Transfers from other funds increased by \$94,059 due to (1) reimbursement of Mental Health Services Act, Wraparound program and Tustin Family Campus project expenditures; (2) Proposition 172 (Public Safety Sales Tax) to support public safety programs, (3) monies from Tobacco Settlement to support jail operations; and (4) recording fees to the Clerk-Recorder's Office for their Archive Expansion project.

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 2007-08, fund balance increased by \$3,049, compared to last year's increase in fund balance of \$8,630. There was a \$17,549 increase in intergovernmental revenues due primarily to the State's allocation of Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act) general obligation bonds to the County to fund transportation projects that will benefit motorists throughout the County. Expenditures increased by \$23,114 due to a greater number of road maintenance projects undertaken in FY 2007-08, and disbursements of Proposition 1B revenues to participating cities that support Proposition 1B roadway improvement projects.

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 2007-08, there was an increase in fund balance of \$57,168 compared to last year's increase in fund

balance of \$28,613. An increase of \$20,457 in intergovernmental revenues can be attributed to the receipt of higher than anticipated subvention reimbursements from the State. Property tax revenues increased by \$5,169 as a result of the annual inflation of locally assessed properties up to 2% under Proposition 13. Expenditures decreased by \$18,069 primarily due to delayed capital projects such as land acquisition for the Prado Dam project.

OC 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 2007-08, there was a \$32,750 increase in fund balance compared to last year's increase of \$24,549 in fund balance. An increase of \$3,835 in property tax revenues is attributable to the annual inflation of locally assessed properties up to 2% under Proposition 13. An increase of \$3,835 in intergovernmental revenues is primarily due to the increase in grant for Irvine Park Sewer conversion. A \$5,085 decrease in capital outlay expenditure is due to the rescheduling of the maintenance dredging and harbor revitalization projects to FY 2008-09, and the completion of the Nix Nature Interpretative Center in Laguna Coast Wilderness Park and O'Neill Park Sewer Conversion projects in FY 2006-07.

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 2007-08, there was a decrease in fund balance of \$35,849 compared to last year's increase in fund balance of \$10,076. There was an increase of \$3,054 in transfers of the Youthful Offender Block Grant revenues for the implementation of the Juvenile Justice Development Plan. Licenses, Permits, and Franchise revenues increased by \$2,652 related to various consumer protection litigations. The revenue increases are partially offset by a decrease in interest earnings of \$2,409. Expenditures increased by \$47,107 primarily due to higher transfers of Proposition 172 excess revenues to General Fund to support public safety.

Other Governmental Funds

At the end of FY 2007-08, there was a decrease in fund balance of \$20,927 compared to last year's increase in fund balance of \$102,189. Intergovernmental revenues decreased \$9,802 as a result of lower than anticipated realignment funding paid by the State. Revenues were lower overall in comparison to the previous year due to the proceeds from the Lease Revenue Refunding Bonds Series 2006 being recorded in FY 2006-07. Capital outlay expenditures increased by \$22,786 due to increases for various capital projects, including Ladera Ranch construction and Santa Ana Heights Fire Station improvements. An increase of \$14,098 in transfers was made to the General Fund for reimbursement of Wraparound caseloads and Mental Services Health Act program expenditures. Also, public assistance expenditures increased by \$9,763 due to an increase in housing assistance payments for the Section 8 Rental Assistance Program.

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

COMPARATIVE FUND BALANCE

Governmental Funds *
June 30, 2008 and 2007

	2008	2007	Increase (Decrease) %
General Fund	\$ 314,973	\$ 383,740	(18)%
Roads	114,890	111,841	3 %
Flood Control District	312,427	255,259	22 %
OC Parks	121,456	88,706	37 %
Other Public Protection	197,540	233,389	(15)%
Other Governmental Funds	1,004,201	1,025,128	(2)%
Total	\$ 2,065,487	\$ 2,098,063	(2)%

* Public Library and Tobacco Settement Special Revenues Funds have been reclassified as nonmajor Other Governmental Funds in FY 2007-08.

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, 2008						
	Revenues, Contributions and Transfers		Expenses, Special Items and Transfers		Change in Fund Net Assets	
	2008	2007	2008	2007	2008	2007
Airport	\$ 150,745	\$ 141,659	\$ 94,347	\$ 89,160	\$ 56,398	\$ 52,499
Waste Management	122,708	140,732	118,905	100,296	3,803	40,436
Total	\$ 273,453	\$ 282,391	\$ 213,252	\$ 189,456	\$ 60,201	\$ 92,935

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 \$52,499; this year the fund net assets increased by \$56,398 primarily due to a \$10,028 increase in capital grant contributions for the Airport Improvement Program and \$6,835 decrease in special items associated with the Parking Structure B1. Refer to Note 3, Special Items for additional details.

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 2007-08, there was an increase in fund net assets of \$3,803, compared to the prior year increase of \$40,436, primarily due to the following factors:

- An \$11,634 decrease in charges for services due to a decrease in importation tonnage.
- A \$4,447 decrease in interest revenue due to the downward trend of interest rates.
- A \$10,262 increase in maintenance costs for equipment and structures.
- A \$3,057 increase in the landfill closure and postclosure expenses.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors involved in the variances between: 1) the Original Budget and the Final Amended Budget; and 2) the Final Amended Budget and the Actual Amounts for the General Fund. In addition to the effects of expenditure-driven grants, the following information provides explanations for significant variances. Refer to the Budgetary Comparison Statement for details on this budgetary comparison.

Original Revenue Budget vs. Final Amended Revenue Budget

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

Intergovernmental Revenues

- A \$56,329 increase in the Child Support Services Department (CCS) due to the recognition of revenues for Federal and State funding advances.
- A \$3,710 increase in the Probation Department primarily due to revenue from the Youth Offender Block Grant to develop and implement the Juvenile Justice Development Plan.
- A \$10,349 increase in the Sheriff's Department from numerous sources, including State Homeland Security Grants, Solving Cold Cases with DNA Program, Coverdell Grants, 2005 Buffer Zone Protection Program, DNA Capacity Enhancement Program, 2007 Forensic DNA Backlog Reduction Program, DNA Expansion Demonstration program, and California Multi-Jurisdictional Methamphetamine Enforcement Team Grant. 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.

Charges for Services

- An increase of \$1,495 due to an increase in the fees collected for seizing unsecured property and bank accounts for delinquent unsecured property taxes, and a processing fee for the delinquent taxes made in installments.
- An increase of \$8,757 in the Sheriff Department due to finalizing new law enforcement service contracts after the Original Budget.

Transfers In

- A decrease of \$56,184 in the CSS due to the reclassification of Federal and State funding advances to Intergovernmental Revenues.
- An increase of \$6,403 from various sources, including the Medi-Cal Administrative Activities/Targeted Case Management, Emergency Medical Services, HCA Realignment, and Bioterrorism Special Revenue funds.
- An increase of \$6,500 in the Clerk-Recorder due to transfers of recording fees to fund the purchase of property, information technology equipment, and conversion of records to electronic format.
- An increase of \$4,503 in the SSA due to transfers of donations and grant money for the implementation of the Medi-Cal application software, "OneEApp", and a transfer from the Facilities Development and Maintenance Fund to support a potential shortfall in realignment revenue.

Other

- An increase of \$23,177 primarily due to the unanticipated revenue from the pass-through of bi-weekly retirement charges to departments. For generally accepted accounting principles (GAAP) purposes, this revenue is eliminated and not recorded in the governmental funds' Statement of Revenues, Expenses and Changes in Fund Balances. See Note A of the Reconciliation of the General Fund and Major Special Revenue Fund – Budgetary Comparison Statement for additional details.

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 \$5,745 in appropriations primarily due to expenditures related to various capital projects, which include the Dana Point 800 MHz project and replacement of the North Justice Center Fire Alarm System.

Miscellaneous

- A \$22,811 increase in appropriations to cover increased retirement costs.

Probation

- A \$7,687 increase in appropriation to develop and implement the Juvenile Justice Development Plan for juvenile offenders and to cover negotiated salary increases.

Sheriff-Coroner

- A \$22,296 increase in appropriation for the addition of personnel in various areas such as crime investigation, emergency management, forensic science, and security services; as well as the purchase of equipment needed to prepare for incidents of terrorism, and to increase the efficiency of the forensic laboratory.

Health Care Agency

- An increase of \$7,798 in appropriations to cover unbudgeted salary and negotiated salary increases, and to support the HCA Realignment, the Bioterrorism and the Emergency Medical Services programs.

Social Services Agency

- An increase in appropriations of \$9,779 to add several positions to support increased workload related to Medi-Cal caseload growth and to cover negotiated salary increases.

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:

Intergovernmental Revenues

- An \$18,788 negative variance for the District Attorney and the Sheriff's Department due to the decline in Proposition 172 revenue resulting from lower actual growth rate than the anticipated growth rate.
- A \$3,636 negative variance for the Watershed and Coastal Resources Agency due to less than anticipated revenues for the National Pollutant Discharge Elimination System Project and various Newport Bay Total Maximum Daily Load projects.
- A \$5,003 negative variance due to lower than anticipated revenue for motor vehicle license in-lieu fees from the State.
- A \$14,575 negative variance for HCA due to a decrease in Health and Mental Health Realignment, and Mental Health Managed Care revenues.
- A \$3,520 negative variance for the Sheriff's Department due to the timing differences for when Federal grant revenues are received and recorded.

Charges for Services

- A \$9,507 negative variance for Sheriff's Department is due to vacancies billable to Court Security and over estimated salary increases built into revenue projections, which did not materialize.
- A \$2,541 negative variance in the Clerk-Recorder's Office is due to unanticipated decrease in property recordings.
- A \$3,703 negative variance in OC Public Works due to lower than anticipated revenue resulting from lower reimbursable indirect charges.

Transfers In

- A \$16,261 negative variance in the HCA is primarily due to the timing of eligible expenditures for the Mental Health Services Act, Tobacco Settlement, and Emergency Medical Services programs.
- A positive variance of \$4,185 in the Sheriff's Department due to the increase from the Public Safety Sales Tax Excess Reserve Fund and the Tobacco Settlement Fund to support operations at the Theo Lacy Jail Facility.
- A \$4,757 negative variance in the AFDC-Foster Care Agency due to the lower than anticipated transfer in from the Wraparound program to fund foster care programs.
- An \$18,167 negative variance in the Capital Projects Agency because bond proceeds to reimburse construction costs for the Cogeneration at the Central Utility Facility Project did not take place in FY 2007-08. In addition, the Photovoltaic Project and other capital projects were cancelled and/or delayed and consequently, revenue could not be claimed for reimbursement.

Final Amended Expenditure Budget vs. Actual Expenditure Amounts

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

Capital Projects

- A \$35,676 positive variance because of the cancellation of the Photovoltaic Project and the deferral of various capital projects such as the County Facilities Master Plan, Deferred Maintenance Projects for the Sheriff Department, and Multipurpose Service Center Project for the homeless and for veterans.

Sheriff-Coroner

- A \$21,964 positive variance resulting from cost saving strategies, a reduction in insurance costs, and a delay in eligible expenditures for Homeland Security Grants.

OC Public Works

- An \$18,940 positive variance due to cost reduction measures and increased cost reimbursement from other agencies.

Health Care Agency

- A positive variance of \$24,053 primarily due to delays in the start-up of the Mental Health Services Act Program contracts, Coverage Initiative Human Services contracts, the Animal Shelter Development capital project, and purchases of equipment for the Water Quality Lab and Environmental Health, as well as cancelling a remodeling project for Information Technology.

Watershed and Coastal Resources

- An \$8,376 positive variance due to the lower than anticipated costs for the Upper Newport Bay Restoration Project and the National Pollutant Discharge Elimination System program.

Social Services Agency

- A \$18,540 positive variance due to refunds from worker's compensation and retirement that were not anticipated in the budget, reducing costs for equipment and information technology support by utilizing in-house resources; and a reduction in the CalWIN implementation expenses.

Capital Assets

At June 30, 2008, the County's capital assets for both the governmental and business-type activities amounted to \$2,909,477 net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, equipment, infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors), and construction in progress. The total increase in the County's investment in capital assets for the current year was 1.5%.

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

CAPITAL ASSETS								
(Net of Depreciation)								
June 30, 2008								
	Governmental		Business-Type		Total		Increase	
	Activities		Activities				(Decrease)	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>% Change</u>	
Land	\$ 610,889	\$ 606,166	\$ 38,058	\$ 38,058	\$ 648,947	\$ 644,224	0.7 %	
Structures and Improvements	525,604	509,032	172,046	183,975	697,650	693,007	0.7 %	
Equipment	97,582	96,589	34,436	31,542	132,018	128,131	3.0 %	
Infrastructure	837,511	837,805	200,069	214,264	1,037,580	1,052,069	(1.4)%	
Construction in Progress	317,234	316,627	76,048	33,690	393,282	350,317	12.3 %	
Total	\$ 2,388,820	\$ 2,366,219	\$ 520,657	\$ 501,529	\$ 2,909,477	\$ 2,867,748	1.5 %	

The following lists the significant expenditures for capital assets in FY 2007-08:

General Fund

- \$8,591 for the Cogeneration Plant at the Central Utilities Facility.
- \$5,685 for the renovation of the sixth floor of the Central Justice Center including Heating, Ventilation, and Air Conditioning (HVAC) system upgrades and an Americans with Disabilities Act (ADA) compliance retrofit.
- \$1,230 for the construction of the Public Health Services' Shellmaker Water Quality Laboratory to help detect and eliminate pollution sources in Orange County.
- \$1,764 for the development and shared ownership of a Multi-County Electronic Recording Delivery System that will increase security of public records and extend electronic recording services to customers statewide.
- \$2,103 for the Clerk-Recorder's expansion of its electronic archives.
- \$1,302 for the expansion of the Loma Ridge Emergency Operation Center.

Flood Control District

- \$1,767 for the construction of a new pump and pump house at the Los Alamitos Pump Station.
- \$1,662 for the Peters Canyon Channel Trail Undercrossings construction project.
- \$8,145 for the East Garden Grove Wintersburg Channel North Levee Emergency project.
- \$6,523 for the construction of the Fullerton Creek Channel.
- \$2,468 for the acquisition of property in the flood plain or in the right-of-way construction area for the Prado Dam project.

Airport

- \$14,984 for the gate expansion of the terminal building.
- \$3,043 for the remodeling of restrooms in the terminal building.
- \$21,320 for the construction of the new South Remain Over Night (RON) airplane parking.
- \$2,843 for the design of a new parking structure, as part of Airport's Improvement Program.
- \$1,586 for the surfacing/construction of a temporary parking lot.

Waste Management

- \$2,582 for the Brea Soil Removal Project.

Additional information on the County's capital assets can be found in Note 6, Changes in Capital Assets.

Commitments for Capital Expenditures

At the end of FY 2007-08, significant commitments for capital expenditures included the following:

- \$301,400 for the Santa Ana River Mainstem Project.
- \$22,132 for the Cogeneration Plant at the Central Utilities Facility.
- \$8,860 for HVAC and ADA improvements at the Central Justice Center.
- \$5,664 to widen Irvine Avenue from Mesa Drive to Bristol Street.
- \$19,948 for a new pump and pump house at the Los Alamitos Pump Station.
- \$11,725 for the San Juan Creek Channel improvement project.
- \$13,668 for the construction of the Tustin Family Campus. The campus will be a multi-treatment facility that will provide specialized residential treatment and services for children and families, and emancipated young adults in Orange County.
- \$15,076 for gate expansion of the terminal building for John Wayne Airport.
- \$9,757 for the new South RON airplane parking for John Wayne Airport.
- \$6,658 for the deconstruction of the B1 parking structure for John Wayne Airport.
- \$11,614 for the temporary landslide backcut excavation project.

Additional information on the County's commitments for capital expenditures can be found in Note 16, Construction and Other Significant Commitments.

Long-Term Debt

At June 30, 2008, the County had a total debt obligation outstanding of \$912,426, excluding capital lease obligations, compensated absences and other liabilities. During the year, \$102,632 of the bonds, including \$58,790 of bankruptcy related debt, were retired, which resulted in a net decrease of 10% 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 assessment 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 (COPs), 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, 2008:

LONG-TERM DEBT BOND OBLIGATIONS							
June 30, 2008							
	Governmental		Business-Type		Total	Increase	
	Activities		Activities			(Decrease)	
	2008	2007	2008	2007	2008	2007	% Change
Revenue Bonds	\$ 598,210	\$ 652,340	\$ 130,550	\$ 148,345	\$ 728,760	\$ 800,685	(9)%
Certificates of Participation	6,306	7,165	--	--	6,306	7,165	(12)%
Pension Obligation Bonds	72,728	89,891	--	--	72,728	89,891	(19)%
Recovery Bonds	106,751	119,436	--	--	106,751	119,436	(11)%
Add: Premium on Bonds Payable	34,524	35,408	2,174	2,740	36,698	38,148	(4)%
Less: Deferred Amount on Refunding	(32,167)	(35,702)	(6,650)	(8,279)	(38,817)	(43,981)	(12)%
Total	\$ 786,352	\$ 868,538	\$ 126,074	\$ 142,806	\$ 912,426	\$ 1,011,344	(10)%

Additional information on the County's long-term debt activity can be found in Note 12, Long-Term Obligations.

Bond Ratings

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

In FY 2007-08, the following changes occurred in the County's underlying debt ratings as compared to the previous year:

- Improved S&P Rating from A to A+ for the OCDA Neighborhood Development and Preservation Project Tax Allocation Refunding Bonds.
- Changed Fitch Rating from not rated to AA- for the 1996 Pension Obligation Bonds.

Due to the challenges facing the bond market and bond insurers, Fitch Ratings has decided to withdraw its ratings for Ambac Financial Group and its insured bonds. The 1991 Parking COPs, the OCDA 2003 SAH Bonds, the 1995 Teeter Plan Revenue Bonds, and the 2001 Lease Revenue Bonds are insured by Ambac Financial Group.

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

LONG-TERM DEBT RATINGS			
June 30, 2008			
	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	WD
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	WD
1996 Pension Obligation Bonds	NR	Aa2	AA-
1997 Pension Obligation Bonds	NR	Aa2	AA-
1995 Teeter Plan Revenue Bonds	NR	NR	WD
2001 Lease Revenue Bonds	NR	A2	WD
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 has determined that the following are significant matters that have a potential impact on the County's financial position or changes in financial position:

Governmental Activities

State Legislation and Budget

The Governor signed the FY 2008-09 State budget on September 23, 2008. In comparison to the budget approved by the Assembly, the \$144,500,000 final budget reflects a reduction of \$510,000 for line-item vetoes and \$340,000 in savings due to the delay in adopting the budget. The general fund portion is \$103,400,000 with a \$1,700,000 reserve. Although the budget is balanced for FY 2008-09, many of the balancing solutions are from one-time sources. Consequently, the Governor projects that the State will begin FY 2009-10 with a \$1,100,000 deficit and face significant challenges in adopting a final budget.

Included with the passage of the budget, the Legislature approved the Governor's budget reform package, which will require a constitutional amendment to be considered by the people in a June special election. The reform package establishes a Budget Stabilization Fund (BSF) that requires a deposit of at least 3% of general fund revenues each year. The fund will grow to an amount equal to 13% of the general fund revenues, with use of the fund restricted to deficit years. The special election will also include a proposal to modify the lottery program to allow for securitization of future lottery proceeds. Without voter approval of the lottery program changes, the State budget deficit will grow by an additional \$6,000,000 in FY 2009-10.

Following the passage of the State budget in September, the budget focus shifted immediately to the revenue assumptions included in the adopted budget. The budget projects growth in income and sales tax revenue that appear difficult to achieve in today's turbulent economy. A review of the first quarter data supports these concerns with personal income tax and sales tax receipts through September showing a net decline compared to FY 2007-08. Additionally, median home prices have fallen sharply, with many counties reporting over 30% declines year over year. The potential impact to local property taxes may require additional State funding for schools in order to meet the Proposition 98 funding guarantee. If the current revenue trends continue, the State will face significant budget deficits that require a mid-year special session to balance the budget.

State budget highlights are summarized below by County budget program. Amounts quoted are statewide unless otherwise noted.

Public Safety

- Citizens Options for Public Safety (COPS) and the Juvenile Justice Crime Prevention Act (JJCPA) are funded at \$107,100 each. This funding represents a 10% reduction.
- Juvenile Probation and Camps Funding (JPCF) is funded at \$181,300. This funding represents a 10% reduction.
- Mentally Ill Offender Crime Reduction Grant (MIOCR) funding is eliminated.

Health & Social Services

- Medi-Cal administration for counties funded at \$1,500,000. This represents a funding reduction of \$106,800, including a \$64,600 reduction to the Cost of Living Adjustment and \$42,200 reduction to caseload growth costs.
- Food Stamp administration for counties funded at \$696,000. This represents a funding reduction of \$20,900.
- In-Home Supportive Services administration for counties funded at \$254,000. This represents a funding reduction of \$12,700.
- Cal-WORKs reduction for employment services and pay for performance incentives are funded at \$1,400,000. This represents a funding reduction of \$120,600.
- Proposition 36 (Substance Abuse & Crime Prevention Act) and Offender Treatment Program are funded at \$108,000. This represents a 10% reduction.
- California Children's Services funded at \$35,800. This represents a funding reduction of 4%.
- Mental Health Managed Care funded at \$225,000. This represents a funding reduction of 6%.

Housing, Land Use and Transportation

- Proposition 42 (Transportation Congestion Improvement Act) funding for counties for maintenance and repair to improve local transportation systems was fully funded at \$286,000.
- Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security) funding for counties for local streets and roads improvement projects is funded at \$63,000.

General Government

- State mandate reimbursement (SB 90) for old claims was deferred, resulting in a reduction of \$75,000.
- Presidential Primary cost reimbursement to counties is funded at \$85,700.
- Redevelopment Education Revenue Augmentation Fund shifts equal to the greater of \$350,000 or 5% from redevelopment agencies.

Deterioration of the 2008-09 State Budget

On November 6, 2008, the Governor called a Special Session of the Legislature to address the State's growing budget deficit. The revenues included in the budget are projected to fall \$10,700,000 short, and combined with other mid-year adjustments, the total budget shortfall is estimated at \$11,200,000. The Governor's Special Session Proposal includes \$4,500,000 in program reductions and \$4,700,000 in revenue enhancements. The most significant components of the proposal include a 1.5% sales tax increase, which is projected to generate \$3,500,000 revenue, and a \$2,500,000 reduction to Proposition 98 spending. Proposal items directly affecting counties include reductions to probation camps funding, and administrative cost support for various social services and health care programs. The Legislature had until November 30 to consider and act on these proposals, but new legislation had not been passed to adopt these proposals.

On December 1, 2008, the Governor declared a fiscal emergency for the State, allowing him to call a Proposition 58 legislative special session to address the State's economy. Under Proposition 58, the legislature has 45 days to pass and send a bill or bills to the Governor's desk addressing the State's budget crisis. If the 45 days pass and the legislature have not passed bills to address the problem, they cannot adjourn or act on other bills until the State's fiscal emergency is addressed.

On December 9, 2008, the Senate and the Assembly met in a joint session to discuss the State's financial crisis and to receive presentations from the State Treasurer, Controller, and Legislative Analyst's Office. The estimated State budget shortfall through FY 2009-10 is estimated at \$41,800,000. To date, no specific actions have been agreed to, however, the State's Budget Subcommittees will continue to meet through the month to identify solutions.

The County will continue to monitor the State's actions on the budget and provide the Board of Supervisors (Board) with an analysis of impacts to County services for FY 2008-09. The County Executive Office has requested that each agency/department develop a contingency plan that assumes a 5% reduction to county general fund support for FY 2008-09. In addition to the 5% reduction, additional cuts may be needed in agencies that tie to State revenues in order to balance the budget. During the November 25, 2008 Board meeting, the Board voted to cut \$32,000 from the FY 2008-09 budgets with no layoffs or furloughs for County employees. This planning effort is intended to prepare the County to react quickly and efficiently to any impacts from the State and/or the failing economy.

Cash Flow Management

On September 16, 2008, the County of Orange issued \$100,000 in Tax and Revenue Anticipation Notes (TRANS) to finance seasonal cash flow requirements during Fiscal Year 2008-09. The proceeds from the TRANS cover anticipated cash deficits resulting from the uneven flow of revenues. County General Fund expenditures occur in relatively level amounts throughout the year, while receipts follow an uneven pattern. Secured property tax installments, which represent the largest component of general purpose revenues, are primarily received in December and April of each year. Secured tax apportionments to the General Fund as of December 10, 2008 were \$1,750 over the previous year, representing a 1.64% increase. Additionally, the late adoption of the final State budget resulted in significant delays to the reimbursement of many health and human service programs administered by the County. The County will repay the TRANS borrowing by June 30, 2009 from available cash balances within the General Fund.

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 (HR) 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.

In June 2007, the County contracted with CGI, Inc. to assist in the implementation of the CGI Financial and Procurement software. 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 \$42,424 (phase 1 - \$34,841, phase 2 - \$7,583).

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

- Chart of Accounts
- Capital Assets
- Disbursements
- Cost Accounting
- Procurement

Phase 2 implementation may provide:

- Accounts Receivable/Collections
- Vendor Self Service
- Performance Budget
- Year-End Closing

The County also looked for similar alternatives for the HR application and contracted with AgreeYa Solutions, Inc. to assist in the analysis of alternatives. These alternatives were documented and presented to the County in January 2008. Based on these findings the County Board of Supervisors approved the directions that the HR applications would precede with a detailed CGI Fit Analysis.

toward the HR Upgrade scheduled for completion in January 2011. Currently, we have no estimate for the cost of this upgrade.

This project will include the following 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
- 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 \$6,000,000 annually in property taxes for the cities, school districts and special districts within the County. The current system was developed in the late 1980s in an obsolete programming language. Maintenance of the system requires specialized knowledge that is hard to obtain. Under direction from the Board of Supervisors to rewrite the system and to respond to the Grand Jury's recommendation to replace the mainframe with an open system platform, the Auditor-Controller, Clerk of the Board, and Treasurer-Tax Collector embarked on a multi-year phased implementation of the new Property Tax Management System (PTMS).

In January 2006, a contract was awarded to Sierra Systems to conduct a Needs Assessment Project and to document the requirements of the new PTMS. This project also included documenting the business rules, identifying areas for improvement, and creating a blueprint for implementation.

The Needs Assessment Project was completed in July 2007 at a cost of \$1,600. A Request for Proposal was released in August 2007 and Tata Consultancy Services (TCS) was selected in April 2008 to develop and implement the new PTMS based on the requirements specification documented during the needs assessment. The development and phased implementation of the replacement application is expected to take two to three years to complete at an estimated cost between \$18,000 to \$25,000, including County and contractor staffing.

Refer to Note 21, Subsequent Events for details on the approval of the contract with TCS on July 2008.

Assessment Tax Systems (ATS) Re-Engineering

The Assessor is mandated under the provisions of the California State Constitution and the Revenue and Taxation Code to discover and value all tangible properties in the County of Orange. The total assessed value for the 2008 annual roll was over \$424,000,000, which impacts the billing and collection of over \$6,000,000 in tax revenue to support the operations of the schools, cities, special districts, and the County.

The ATS is a mainframe application that has been used by the Assessor since 1987. The vendor support for the programming language (IDEAL) for the current ATS is being phased out. Starting in 2006, under the approval of the County Board of Supervisors as a Strategic Initiative, a project to re-engineer the Assessor ATS was initiated. The new ATS will adopt current open platform and work flow technologies to enhance the user interface and strengthen the effectiveness and efficiency of property valuation and assessment.

The Assessor has assembled a project team made up of in-house managers and subject matter experts, County Affiliated Computer Services (ACS) contract staff, and outside vendors to complete this work. The project is scheduled to be completed in FY 2010-2011. The total estimated cost for the project at this time is \$20,000 to \$22,000.

Teeter Plan Restructuring

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 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 penalties and interest 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 (Current Year Teeter Buyout) from the County at a purchase price that does not exceed 100% of the property tax

due excluding penalties. In the event that the Authority does not have sufficient monies available to purchase the annual unpaid secured property taxes receivables, the County's General Fund is obligated to cover the cash shortfall since the County must pay the participating taxing agencies 100% of the unpaid secured property taxes attributable to such agencies.

As a result of substantial increases to the annual amount of unpaid delinquencies subject to the Teeter Plan over the past two years, the Board of Supervisors authorized a Commercial Paper Program for the purpose of refunding the Authority Teeter Bonds and the Teeter Plan Notes issued July 10, 2008, as well as providing a continuing source of funding for the County's annual obligation to make distributions to the participating taxing agencies. The County implemented its Commercial Paper Program on August 26, 2008 (see Note 21, Subsequent Events). The Commercial Paper and its credit enhancement will be secured by certain delinquent tax payments and the County General Fund.

Refer to Note 21, Subsequent Events, for details on the specific financing transactions related to the Teeter program.

Airport Improvement Program

The Airport Improvement Program will create additional terminal area capacity in the form of new aircraft gates, hold rooms, concessions, passenger/baggage screening capabilities, and more parking. It will also help redistribute traffic between Terminals A, B and C, thus achieving a balanced operation throughout the terminal complex. A key objective of the Airport Improvement Program is to ensure that the new facilities are designed and developed in a way that creates a single, seamless environment for passengers.

Pursuant to the comprehensive financial program approved by the Board of Supervisors in December 2005 (and updated in mid-2007), JWA has implemented the financing plan for the Airport's Improvement Program, which is estimated to cost approximately \$652,000. The capital costs are anticipated to be funded from various sources, including: (i) Airport funds (ii) FAA Airport Improvement Program grants (iii) Transportation Security Administration (TSA) grants (iv) Passenger Facility Charge revenues (v) general airport revenue bonds and (vi) short-term lines of credit. As is the case with any substantial capital improvement program, JWA anticipates encountering many challenges in balancing the current level of operation and high standards for customer service with the substantial construction activity. Refer to Note 21, Subsequent Events, for additional information on the Airport's Improvement Plan.

Funding Progress of the County's Retirement System

The funded ratio of the System is a measure of the ability of the System to make obligated payments to current retirees and future retirees. The funded ratio (actuarial value of plan assets divided by actuarial accrued liability) has dropped from 82.76% in 2002 to 70.85 % in 2004. Since 2004, the funded ratio has increased to 72.92% as of December 31, 2007 (refer to the Required Supplemental Information, Orange County Employees Retirement System Schedule of Funding Progress for Years Ended December 31). The decline in funding status is caused by multiple factors, including changes in actuarial assumptions, changes in methodology, and enhancement of retirement benefits. Anticipated market losses during 2008 will result in increased employer contributions during the County fiscal year 2010-2011.

On November 4, 2008, the voters in Orange County approved Measure J, which requires voter approval for any future pension benefit enhancements. The County carefully monitors the activities at OCERS and regularly provides input to the OCERS management and provides input at OCERS Board meetings as deemed appropriate.

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>.





County of Orange
 Comprehensive Annual Financial Report
 June 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Notes 1 and 5)	\$ 1,799,027	\$ 501,433	\$ 2,300,460	\$ 108,199
Restricted Cash and Cash Equivalents (Notes 1 and 5)	450,575	212,224	662,799	--
Investments (Notes 1 and 5)	40,031	12,043	52,074	40,147
Deposits In-Lieu of Cash	95	56,418	56,513	--
Internal Balances	9,737	(9,737)	--	--
Due from Component Unit (Note 8)	88	--	88	--
Prepaid Costs (Notes 1 and 19)	169,348	6,868	176,216	--
Inventory of Materials and Supplies (Note 1)	1,685	--	1,685	--
Land and Improvements Held for Resale (Note 1)	802	--	802	--
Receivables, Net of Allowances (Note 7)				
Accounts	20,281	16,670	36,951	--
Taxes	74,470	--	74,470	5,878
Interest/Dividends	6,218	2,378	8,596	1,610
Deposits	3,737	--	3,737	--
Advances	32	--	32	--
Loans	2,933	--	2,933	--
Due from Other Governmental Agencies (Note 7)	327,807	3,003	330,810	508
Notes Receivable (Note 7)	47,123	--	47,123	--
Net Other Postemployment Benefits (Note 20)	46,442	--	46,442	--
Capital Assets (Notes 1 and 6)				
Not Depreciated	928,123	114,106	1,042,229	--
Depreciable (Net)	1,460,697	406,551	1,867,248	5
Total Capital Assets	<u>2,388,820</u>	<u>520,657</u>	<u>2,909,477</u>	<u>5</u>
Total Assets	<u>5,389,251</u>	<u>1,321,957</u>	<u>6,711,208</u>	<u>156,347</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	\$ 87,046	\$ 21,581	\$ 108,627	\$ 7,754
Salaries and Employee Benefits Payable	46,494	1,065	47,559	66
Interest Payable	10,790	2,632	13,422	--
Deposits from Others	39,675	58,022	97,697	--
Due to Primary Government (Note 8)	--	--	--	87
Due to Other Governmental Agencies	61,122	1,626	62,748	6,123
Unearned Revenue (Note 1)	57,081	3,144	60,225	--
Estimated Liability - Litigation and Claims (Note 18)	--	5,176	5,176	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 17)	47,285	--	47,285	--
Compensated Employee Absences Payable (Notes 1 and 12)	91,101	2,300	93,401	68
Arbitrage Rebate Payable (Note 12)	30	--	30	--
Capital Lease Obligations Payable (Notes 12 and 14)	5,817	--	5,817	--
Bonds Payable (Note 12)	74,051	17,681	91,732	--
Landfill Site Closure/Postclosure Liability (Notes 12 and 15)	--	1,037	1,037	--
Due in More than One Year				
Interest Accretion on Capital Appreciation Bonds Payable	124,129	--	124,129	--
Insurance Claims Payable (Notes 1 and 17)	99,531	--	99,531	--
Compensated Employee Absences Payable (Notes 1 and 12)	69,153	1,509	70,662	102
Arbitrage Rebate Payable (Note 12)	622	36	658	--
Capital Lease Obligations Payable (Notes 12 and 14)	84,952	--	84,952	--
Bonds Payable (Note 12)	712,301	108,393	820,694	--
Net Pension Obligation (Notes 12 and 19)	660	--	660	--
Landfill Site Closure/Postclosure Liability (Notes 12 and 15)	--	190,167	190,167	--
Total Liabilities	<u>1,611,840</u>	<u>414,369</u>	<u>2,026,209</u>	<u>14,200</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,302,926	395,227	2,698,153	5
Restricted for (Note 1):				
Expendable				
Other Postemployment Benefits	46,442	--	46,442	--
Capital Projects	211,426	--	211,426	--
Debt Service	168,468	--	168,468	--
Legally Segregated Special Revenue Funds Restricted for				
Grants and Other Purposes	990,198	--	990,198	--
Children and Families Commission of Orange County	--	--	--	142,142
Airport	--	218,293	218,293	--
Waste Management	--	294,068	294,068	--
Nonexpendable				
Regional Park Endowment	139	--	139	--
Unrestricted (Note 1)	<u>57,812</u>	<u>--</u>	<u>57,812</u>	<u>--</u>
Total Net Assets	<u>\$ 3,777,411</u>	<u>\$ 907,588</u>	<u>\$ 4,684,999</u>	<u>\$ 142,147</u>

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

Functions/Programs	Net Expenses	Indirect Expenses Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General Government	\$ 309,277	\$ (45,228)	\$ 40,659	\$ 46,419	\$ 10
Public Protection	1,133,594	30,864	295,740	464,222	37,023
Public Ways and Facilities	133,780	(2,217)	45,898	68,343	1,794
Health and Sanitation	569,581	6,579	95,069	371,196	1,692
Public Assistance	856,556	6,153	6,360	778,151	--
Education	37,006	722	1,349	1,895	--
Recreation and Cultural Services	74,090	1,522	40,449	5,594	5,789
Interest on Long-Term Debt	76,210	--	--	--	--
Total Governmental Activities	<u>3,190,094</u>	<u>(1,605)</u>	<u>525,524</u>	<u>1,735,820</u>	<u>46,308</u>
Business-Type Activities					
Airport	86,008	742	126,139	384	12,809
Waste Management	101,127	863	99,548	185	2,379
Total Business-Type Activities	<u>187,135</u>	<u>1,605</u>	<u>225,687</u>	<u>569</u>	<u>15,188</u>
Total Primary Government	<u>\$ 3,377,229</u>	<u>\$ --</u>	<u>\$ 751,211</u>	<u>\$ 1,736,389</u>	<u>\$ 61,496</u>
Component Unit					
Children and Families					
Commission of Orange County	<u>\$ 59,615</u>	<u>\$ --</u>	<u>\$ 18</u>	<u>\$ 41,154</u>	<u>\$ --</u>

General Revenues
 Taxes
 Property Taxes, Levied for General Fund
 Property Taxes, Levied for Flood Control District
 Property Taxes, Levied for OC 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
 Special Items (Note 3)
 Transfers (Note 10)
 Total General Revenues, Transfers and Special Items
 Change in Net Assets
 Net Assets - Beginning of Year, as Restated (Note 2)
 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		
\$ (176,961)	\$ --	\$ (176,961)		Primary Government
(367,473)	--	(367,473)		Governmental Activities
(15,528)	--	(15,528)		General Government
(108,203)	--	(108,203)		Public Protection
(78,198)	--	(78,198)		Public Ways and Facilities
(34,484)	--	(34,484)		Health and Sanitation
(23,780)	--	(23,780)		Public Assistance
(76,210)	--	(76,210)		Education
(880,837)	--	(880,837)		Recreation and Cultural Services
				Interest on Long-Term Debt
				Total Governmental Activities
	52,582	52,582		Business-Type Activities
	122	122		Airport
	52,704	52,704		Waste Management
	52,704	52,704		Total Business-Type Activities
(880,837)	52,704	(828,133)		Total Primary Government
			\$ (18,443)	Component Unit
				Children and Families
				Commission of Orange County
				General Revenues
				Taxes
273,259	--	273,259	--	Property Taxes, Levied for General Fund
68,042	--	68,042	--	Property Taxes, Levied for Flood Control District
50,551	--	50,551	--	Property Taxes, Levied for OC Parks
37,454	--	37,454	--	Property Taxes, Levied for Public Library
32,376	--	32,376	--	Property Tax Increments
224,210	--	224,210	--	Property Taxes in Lieu of Motor Vehicle License Fees
84,434	--	84,434	--	Other Taxes
23,434	--	23,434	--	Grants and Contributions Not Restricted to Specific Programs
54,656	--	54,656	--	State Allocation of Motor Vehicle License Fees
27,773	29,206	56,979	8,855	Unrestricted Investment Earnings
66,887	2,886	69,773	148	Miscellaneous
--	(6,835)	(6,835)	--	Special Items (Note 3)
16,802	(16,802)	--	--	Transfers (Note 10)
959,878	8,455	968,333	9,003	Total General Revenues, Transfers and Special Items
79,041	61,159	140,200	(9,440)	Change in Net Assets
3,698,370	846,429	4,544,799	151,587	Net Assets - Beginning of Year, as Restated (Note 2)
\$ 3,777,411	\$ 907,588	\$ 4,684,999	\$ 142,147	Net Assets - End of Year

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	General Fund	Roads	Flood Control District	OC Parks
ASSETS				
Pooled Cash/Investments (Notes 1 and 5)	\$ 200,519	\$ 168,486	\$ 321,743	\$ 131,824
Imprest Cash Funds (Note 5)	1,367	--	--	--
Restricted Cash and Investments with Trustee (Note 5)	1,536	--	--	--
Investments (Notes 1 and 5)	22,065	--	--	--
Deposits In-Lieu of Cash	--	--	--	95
Receivables (Note 7)				
Accounts	9,330	1,906	1,803	3,359
Taxes (Note 1)	11,878	--	2,983	2,210
Interest/Dividends	1,317	558	973	393
Deposits	3,428	309	--	--
Advances	2	--	--	--
Loans	--	--	850	2,083
Allowance for Uncollectible Receivables	(85)	(11)	(9)	(6)
Due from Other Funds (Note 8)	91,291	1,596	1,616	647
Due from Component Unit (Note 8)	86	--	--	--
Due from Other Governmental Agencies	277,014	12,187	27,766	461
Inventory of Materials and Supplies (Note 1)	612	96	219	128
Prepaid Costs (Note 1)	26	--	--	--
Land and Improvements Held for Resale (Note 1)	--	--	--	--
Advances To Other Funds	2,496	--	--	--
Notes Receivables	--	--	16,250	--
Total Assets	<u>\$ 622,882</u>	<u>\$ 185,127</u>	<u>\$ 374,194</u>	<u>\$ 141,194</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 56,398	\$ 4,233	\$ 3,914	\$ 4,575
Salaries and Employee Benefits Payable	42,272	536	609	606
Deposits from Others	2,343	13,295	4,530	5,083
Due to Other Funds (Note 8)	22,034	2,802	5,973	2,515
Due to Other Governmental Agencies	33,732	14,120	2,913	424
Deferred Revenue (Note 1)	130,275	6,276	42,951	2,450
Unearned Revenue (Note 1)	20,855	28,975	877	4,085
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>307,909</u>	<u>70,237</u>	<u>61,767</u>	<u>19,738</u>
Fund Balances				
Reserved for:				
Encumbrances	91,948	35,006	40,889	10,143
Long Term Receivables	5,924	--	--	--
Imprest Cash Funds	1,367	--	--	--
Inventory of Materials and Supplies	612	96	219	128
Loans	--	--	850	2,083
Prepaid Costs	26	--	--	--
Land and Improvements Held for Resale	--	--	--	--
Debt Service	--	--	--	--
Unreserved, Designated for:				
Operations	2,491	--	--	12,057
Operations (Strategic Plan)	105,748	--	--	--
Capital Projects	23,953	--	108,721	8,662
Contingencies	39,000	--	--	--
Administration Fees	--	--	--	--
Equipment Purchase	--	--	--	--
Equipment Replacement	--	--	484	--
Land Purchase	--	--	22,367	--
Revitalization Projects	--	--	--	252
Future Road Projects	--	50,129	--	--
Cash Difference Funds	9	--	--	--
General Reserve	7,463	--	12,609	5,000
Unreserved, Undesignated for:				
General Fund	36,432	--	--	--
Special Revenue Funds	--	29,659	126,288	83,131
Capital Projects Funds	--	--	--	--
Permanent Fund	--	--	--	--
Total Fund Balances	<u>314,973</u>	<u>114,890</u>	<u>312,427</u>	<u>121,456</u>
Total Liabilities and Fund Balances	<u>\$ 622,882</u>	<u>\$ 185,127</u>	<u>\$ 374,194</u>	<u>\$ 141,194</u>

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

Basic Financial Statements
Balance Sheet
(Dollar Amounts in Thousands)

Other Public Protection	Other Governmental Funds	Total Governmental Funds
\$ 244,991	\$ 513,686	\$ 1,581,249
5	61	1,433
--	447,096	448,632
--	17,966	40,031
--	--	95
424	3,169	19,991
--	57,399	74,470
715	1,537	5,493
--	--	3,737
30	--	32
--	--	2,933
(1)	(2)	(114)
54	18,275	113,479
--	--	86
2,985	7,300	327,713
380	--	1,435
--	551	577
--	802	802
--	--	2,496
--	30,873	47,123
<u>\$ 249,583</u>	<u>\$ 1,098,713</u>	<u>\$ 2,671,693</u>

ASSETS

Pooled Cash/Investments (Notes 1 and 5)
Imprest Cash Funds (Note 5)
Restricted Cash and Investments with Trustee (Note 5)
Investments (Notes 1 and 5)
Deposits In-Lieu of Cash
Receivables (Note 7)
Accounts
Taxes (Note 1)
Interest/Dividends
Deposits
Advances
Loans
Allowance for Uncollectible Receivables
Due from Other Funds (Note 8)
Due from Component Unit (Note 8)
Due from Other Governmental Agencies
Inventory of Materials and Supplies (Note 1)
Prepaid Costs (Note 1)
Land and Improvements Held for Resale (Note 1)
Advances To Other Funds
Notes Receivables
Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
Salaries and Employee Benefits Payable
Deposits from Others
Due to Other Funds (Note 8)
Due to Other Governmental Agencies
Deferred Revenue (Note 1)
Unearned Revenue (Note 1)
Advances from Other Funds
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
Revitalization Projects
Future Road Projects
Cash Difference Funds
General Reserve

Unreserved, Undesignated for:

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

Total Liabilities and Fund Balances

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. The difference in fund balances of \$1,711,924 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	\$	2,065,487
--	----	-----------

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	\$	610,889	
Structures and Improvements		950,490	
Equipment		253,358	
Infrastructure		1,175,185	
Construction in Progress		315,777	
Accumulated Depreciation		<u>(939,558)</u>	2,366,141

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

Prepaid Costs	\$	163,111	
Unamortized Bond Issuance Cost		<u>5,612</u>	168,723

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.

100,126

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. Deferred revenue is recognized in the government-wide financial statements.

191,839

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.

9,475

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

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 \$1,170,822 which consisted of the following:

Bonds and COPs Payable, Net	\$	(786,352)	
Compensated Employee Absences Payable		(158,860)	
Capital Lease Obligations Payable		(89,379)	
Arbitrage Rebate Payable		(652)	
Interest Payable on Bonds		(10,790)	
Interest Accreted on Capital Appreciation Bonds		(124,129)	
County's Net Pension Obligation for the Extra-Help Employees' Defined Benefit Retirement Plan		(660)	<u>(1,170,822)</u>

Governmental Accounting Standards Board (GASB) Statement No. 45 requires an employer to record a net Other Post Employment Benefits (OPEB) obligation (asset) for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan. In FY 2007-08, the County contributed more than the ARC to the Retiree Medical Trust and reports the net OPEB obligation (asset) as a negative liability on the Statement of Net Assets.

46,442

Net Assets of Governmental Activities

\$ 3,777,411

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	General Fund	Roads	Flood Control District	OC Parks
Revenues				
Taxes	\$ 531,828	\$ --	\$ 67,732	\$ 50,322
Licenses, Permits, and Franchises	9,667	503	372	375
Fines, Forfeitures and Penalties	51,487	10	48	150
Use of Money and Property	15,129	5,164	14,407	37,547
Intergovernmental	1,406,358	56,786	48,341	12,440
Charges for Services	374,692	13,311	14,805	6,878
Other	41,606	790	4,510	1,326
Total Revenues	2,430,767	76,564	150,215	109,038
Expenditures				
Current				
General Government	216,489	--	--	--
Public Protection	1,004,174	--	66,881	--
Public Ways and Facilities	41,827	70,700	--	--
Health and Sanitation	562,752	--	--	--
Public Assistance	716,076	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	69,839
Capital Outlay	34,892	4,815	24,718	8,977
Debt Service				
Principal Retirement	228,226	--	--	--
Interest	19,509	--	--	--
Total Expenditures	2,823,945	75,515	91,599	78,816
Excess (Deficit) of Revenues				
Over Expenditures	(393,178)	1,049	58,616	30,222
Other Financing Sources (Uses)				
Transfers In (Note 10)	223,380	2,000	--	4,528
Transfers Out (Note 10)	(112,434)	--	(1,448)	(2,000)
Principal Payment on Demand Bonds	211,065	--	--	--
Capital Leases (Note 14)	2,400	--	--	--
Total Other Financing Sources (Uses)	324,411	2,000	(1,448)	2,528
Net Change in Fund Balances	(68,767)	3,049	57,168	32,750
Fund Balances - Beginning of Year	383,740	111,841	255,259	88,706
Fund Balances - End of Year	\$ 314,973	\$ 114,890	\$ 312,427	\$ 121,456

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)

Other Public Protection	Other Governmental Funds	Total Governmental Funds	
\$ --	\$ 69,860	\$ 719,742	Revenues
8,775	824	20,516	Taxes
6,511	31,494	89,700	Licenses, Permits, and Franchises
14,348	60,388	146,983	Fines, Forfeitures and Penalties
33,873	185,839	1,743,637	Use of Money and Property
5,985	7,940	423,611	Intergovernmental
8,064	34,901	91,197	Charges for Services
77,556	391,246	3,235,386	Other
			Total Revenues
			Expenditures
			Current
--	36,292	252,781	General Government
32,359	28	1,103,442	Public Protection
--	5,436	117,963	Public Ways and Facilities
--	1,583	564,335	Health and Sanitation
--	135,760	851,836	Public Assistance
--	37,091	37,091	Education
--	245	70,084	Recreation and Cultural Services
4,277	65,789	143,468	Capital Outlay
			Debt Service
--	72,840	301,066	Principal Retirement
--	33,969	53,478	Interest
36,636	389,033	3,495,544	Total Expenditures
			Excess (Deficit) of Revenues
40,920	2,213	(260,158)	Over Expenditures
			Other Financing Sources (Uses)
4,035	125,848	359,791	Transfers In (Note 10)
(80,804)	(148,988)	(345,674)	Transfers Out (Note 10)
--	--	211,065	Principal Payment on Demand Bonds
--	--	2,400	Capital Leases (Note 14)
(76,769)	(23,140)	227,582	Total Other Financing Sources (Uses)
			Net Change in Fund Balances
(35,849)	(20,927)	(32,576)	
233,389	1,025,128	2,098,063	Fund Balances - Beginning of Year
\$ 197,540	\$ 1,004,201	\$ 2,065,487	Fund Balances - End of Year

The Net Change in Fund Balances for governmental funds of (\$32,576) in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$79,041 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 \$ (32,576)

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 \$22,858 expenditures of capital outlay, capital contributions and gain on sale of capital assets are as follows:

Expenditures for capital outlay:		
Land	\$ 4,592	
Structures and Improvements	74,456	
Equipment	18,201	
Capital Assets Disposition	(14,081)	
Depreciation Expense	(60,367)	
Capital contributions	57	22,858

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 \$86,964 principal and other long-term liability payments and other financing sources are as follows:

Principal and Other Long-Term Liability Payments:		
Bonds Payable	\$ 84,837	
Capital Lease Obligations	2,764	
Arbitrage Rebate Payable	(637)	86,964

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	\$	4,414	
Property tax revenues		5,587	10,001

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	\$	(5,661)	
Amortization of Deferred Charges		(3,209)	
Compensated Employee Absences Expense		(11,688)	
Pension Costs and Amortization of the County's Account with OCERS		(9,586)	
Estimated Litigation and Claims Expense		8,572	
Interest Accretion on Capital Appreciation Bonds		(13,565)	(35,137)

Internal Service Funds (ISF) are used by management to charge the costs of certain activities, such as insurance, transportation, 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. For the first year of implementation of GASB Statement No. 45, the June 2007 actuarial valuation report calculates the annual required contribution as \$30,654 and the annual OPEB cost as \$31,181. County contributions, along with accumulated reserves, totaling \$108,853 were deposited into the Retiree Medical Trust. The accumulated reserves in the Health and Other Self-Insured Employee Benefits ISFs created a loss in the current year's operation, and has been allocated to the various functions (as described above). The excess OPEB contribution of \$77,672 was treated as a reduction to the various functional expenses in order to correctly reflect each function's OPEB cost. The following reflects the net effect of the ISF loss allocation and excess OPEB contribution allocation.

ISF Loss Allocation	\$	(48,768)	
Excess OPEB Contribution Allocation		75,699	26,931
Change in Net Assets of Governmental Activities			\$ 79,041

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	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 518,284	\$ 1,150	\$ 519,434
Licenses, Permits, and Franchises		8,820	--	8,820
Fines, Forfeitures and Penalties		46,236	654	46,890
Use of Money and Property		18,948	--	18,948
Intergovernmental Revenues		1,384,494	82,478	1,466,972
Charges for Services		383,419	11,475	394,894
Other Revenues		282,431	23,177	305,608
Transfers In		282,226	(30,569)	251,657
Total Revenues and Other Financing Sources		2,924,858	88,365	3,013,223
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Assessor	\$ 764	34,809	2,608	38,181
Auditor-Controller	1,173	16,964	787	18,924
Board of Supervisors - 1st District	11	875	41	927
Board of Supervisors - 2nd District	--	872	41	913
Board of Supervisors - 3rd District	--	881	39	920
Board of Supervisors - 4th District	--	854	39	893
Board of Supervisors - 5th District	1	878	41	920
Capital Acquisition Financing	--	7,121	--	7,121
Capital Projects	30,709	59,379	5,745	95,833
CAPS Program	366	22,161	5,920	28,447
Clerk of the Board	43	3,255	206	3,504
County Counsel	172	10,431	1,444	12,047
County Executive Office	1,589	18,543	539	20,671
Data Systems Development Project	2,912	14,797	(3,823)	13,886
Employee Benefits	32	2,684	231	2,947
Human Resources	204	4,037	43	4,284
Internal Audit	62	2,695	256	3,013
Miscellaneous	--	277,445	22,811	300,256
Prepaid Pension Obligation	--	--	--	--
Registrar of Voters	648	11,503	5,197	17,348
The Office of the Performance Audit	--	--	750	750
Treasurer-Tax Collector	584	14,787	30	15,401
Utilities	1,650	26,655	7	28,312
2005 Lease Revenue Refunding Bonds	--	73,408	1,898	75,306
2005 Refunding Recovery Bonds	--	18,430	--	18,430
Public Protection:				
Alternate Defense	--	10,354	--	10,354
Child Support Services	128	57,183	1,246	58,557
Clerk-Recorder	1,150	10,658	6,500	18,308
Detention Release	--	1,656	48	1,704
District Attorney	1,653	105,718	3,163	110,534
Emergency Management Division	35	1,749	18	1,802
Environmental Management Agency	--	--	--	--
Grand Jury	1	576	7	584
Juvenile Justice Commission	--	204	7	211
Probation	4,246	164,353	7,687	176,286
Public Administrator/Public Guardian	42	5,779	88	5,909
Public Defender	494	60,728	3,218	64,440
Sheriff-Coroner	11,879	466,362	22,296	500,537
Sheriff-Coroner Communications	276	10,697	181	11,154
Sheriff Court Operations	66	55,882	568	56,516
Trial Courts	275	68,251	313	68,839
Public Ways and Facilities:				
OC Public Works	2,771	62,179	205	65,155
Health and Sanitation:				
Health Care Agency	3,933	567,936	7,798	579,667
Watershed and Coastal Resources	668	25,244	19	25,931
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	895	121,290	830	123,015
Aid to Refugees	--	332	100	432
California Works Opportunities and Responsibility to Kids	--	101,934	2,000	103,934
Community Resources	209	15,270	772	16,251
General Relief	--	710	1	711
In-Home Supportive Services	--	26,436	3,500	29,936
Social Services Agency	17,507	471,163	9,779	498,449
Total Expenditures/Encumbrances and Other Financing Uses	87,148	3,036,108	115,194	3,238,450
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(87,148)	(111,250)	(26,829)	(225,227)
Fund Balances - Beginning of Year	--	100,000	--	100,000
Cancellation of Reserves/Designations	--	11,500	26,829	38,329
Fund Balance Reserved for Encumbrances	87,148	--	--	87,148
Provisions for Reserves and/or Designations	--	(250)	--	(250)
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	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2008	Unspent Appropriations
\$ 531,828	\$ 12,394		
9,667	847		
51,487	4,597		
15,129	(3,819)		
1,406,358	(60,614)		
374,692	(20,202)		
299,586	(6,022)		
223,380	(28,277)		
<u>2,912,127</u>	<u>(101,096)</u>		
37,389	792	\$ 613	\$ 179
17,045	1,879	861	1,018
904	23	3	20
885	28	--	28
868	52	--	52
839	54	--	54
807	113	--	113
6,782	339	--	339
22,857	72,976	37,300	35,676
24,411	4,036	3,906	130
3,400	104	57	47
10,981	1,066	65	1,001
15,900	4,771	1,837	2,934
8,305	5,581	3,330	2,251
1,503	1,444	--	1,444
3,963	321	264	57
2,805	208	80	128
297,637	2,619	22	2,597
(4,806)	4,806	--	4,806
16,647	701	174	527
216	534	6	528
14,738	663	343	320
25,979	2,333	1,745	588
75,306	--	--	--
18,430	--	--	--
4,631	5,723	--	5,723
57,126	1,431	37	1,394
13,551	4,757	1,637	3,120
1,595	109	--	109
105,467	5,067	2,226	2,841
1,629	173	25	148
(1)	1	--	1
550	34	--	34
204	7	--	7
169,732	6,554	3,902	2,652
5,441	468	3	465
62,090	2,350	1,037	1,313
469,600	30,937	8,973	21,964
10,415	739	238	501
52,732	3,784	90	3,694
68,740	99	3	96
42,852	22,303	3,363	18,940
552,818	26,849	2,796	24,053
15,357	10,574	2,198	8,376
119,146	3,869	715	3,154
371	61	--	61
103,298	636	--	636
15,835	416	113	303
645	66	--	66
28,286	1,650	--	1,650
465,925	32,524	13,986	18,538
<u>2,971,826</u>	<u>266,624</u>	<u>\$ 91,948</u>	<u>\$ 174,676</u>
(59,699)	\$ <u>165,528</u>		
383,740			
(287,611)			
91,948			
186,595			
<u>\$ 314,973</u>			

Revenues and Other Financing Sources

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

Expenditures/Encumbrances and Other Financing Uses

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
The Office of the Performance Audit
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
Environmental Management Agency
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:
OC Public Works
Health and Sanitation:
Health Care Agency
Watershed and Coastal Resources
Public Assistance:
Aid to Families with Dependent Children - Foster Care
Aid to Refugees
California Works Opportunities and Responsibility to Kids
Community Resources
General Relief
In-Home Supportive Services
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, 2008

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises		\$ 293	\$ --	\$ 293
Fines, Forfeitures and Penalties		18	--	18
Use of Money and Property		5,000	--	5,000
Intergovernmental Revenues		51,416	--	51,416
Charges for Services		18,239	(149)	18,090
Other Revenues		8,267	2,006	10,273
Transfers In		--	2,000	2,000
Total Revenues and Other Financing Sources		83,233	3,857	87,090
Expenditures/Encumbrances				
Public Ways and Facilities:				
Roads	\$ 24,754	86,967	18,389	130,110
Foothill Circulation Phasing Plan	1,941	5,104	2,272	9,317
Total Expenditures/Encumbrances and Other Financing Uses	26,695	92,071	20,661	139,427
Excess (Deficit) of Revenues and Other Financing Sources				
Over Expenditures/Encumbrances	(26,695)	(8,838)	(16,804)	(52,337)
Fund Balances - Beginning of Year	--	22,420	--	22,420
Cancellation of Reserves/Designations	--	--	16,804	16,804
Fund Balance Reserved for Encumbrances	26,695	--	--	26,695
Provisions for Reserves and/or Designations	--	(13,582)	--	(13,582)
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --

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, 2008	Unspent Appropriations
\$ 503	\$ 210		
10	(8)		
5,164	164		
56,786	5,370		
13,311	(4,779)		
790	(9,483)		
2,000	--		
<u>78,564</u>	<u>(8,526)</u>		
74,529	55,581	\$ 31,579	\$ 24,002
986	8,331	3,427	4,904
<u>75,515</u>	<u>63,912</u>	<u>\$ 35,006</u>	<u>\$ 28,906</u>
3,049	<u>\$ 55,386</u>		
111,841			
(85,231)			
35,006			
50,225			
<u>\$ 114,890</u>			

Revenues and Other Financing Sources

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

Expenditures/Encumbrances

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

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, 2008

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 54,671	\$ --	\$ 54,671
Licenses, Permits, and Franchises		330	--	330
Fines, Forfeitures and Penalties		14	--	14
Use of Money and Property		10,065	--	10,065
Intergovernmental Revenues		23,187	--	23,187
Charges for Services		15,322	(221)	15,101
Other Revenues		2,106	--	2,106
Transfers In		20,000	--	20,000
Total Revenues and Other Financing Sources		<u>125,695</u>	<u>(221)</u>	<u>125,474</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Flood Control District	\$ 36,641	118,273	251	155,165
Santa Ana River Environmental Enhancement	--	53	(6)	47
Flood Control District - Capital	<u>4,754</u>	<u>65,193</u>	<u>11,862</u>	<u>81,809</u>
Total Expenditures/Encumbrances and Other Financing Uses	<u>41,395</u>	<u>183,519</u>	<u>12,107</u>	<u>237,021</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(41,395)	(57,824)	(12,328)	(111,547)
Fund Balances - Beginning of Year	--	65,690	--	65,690
Cancellation of Reserves/Designations	--	7,970	12,328	20,298
Fund Balance Reserved for Encumbrances	41,395	--	--	41,395
Provisions for Reserves and/or Designations	--	(15,836)	--	(15,836)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

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

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
		Open Encumbrances June 30, 2008	Unspent Appropriations
\$ 67,732	\$ 13,061		
372	42		
48	34		
14,407	4,342		
48,341	25,154		
14,805	(296)		
4,510	2,404		
--	(20,000)		
<u>150,215</u>	<u>24,741</u>		
76,232	78,933	\$ 35,771	\$ 43,162
--	47	--	47
<u>16,815</u>	<u>64,994</u>	<u>5,118</u>	<u>59,876</u>
<u>93,047</u>	<u>143,974</u>	<u>\$ 40,889</u>	<u>\$ 103,085</u>
57,168	<u>\$ 168,715</u>		
255,259			
(186,138)			
40,889			
145,249			
<u>\$ 312,427</u>			

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

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

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

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 46,795	\$ --	\$ 46,795
Licenses, Permits, and Franchises		299	--	299
Fines, Forfeitures and Penalties		224	--	224
Use of Money and Property		37,034	--	37,034
Intergovernmental Revenues		12,802	2,052	14,854
Charges for Services		6,339	--	6,339
Other Revenues		44,540	(42,941)	1,599
Transfers In		30,187	1,406	31,593
Total Revenues and Other Financing Sources		<u>178,220</u>	<u>(39,483)</u>	<u>138,737</u>
Expenditures/Encumbrances and Other Financing Uses				
Recreation and Cultural Services:				
County Tidelands - Newport Bay	\$ 289	12,303	1,522	14,114
Dana Point Tidelands	3,725	81,760	(39,977)	45,508
Harbors, Beaches, and Parks	4,787	89,892	2,806	97,485
Harbors, Beaches, and Parks Capital	5,044	38,973	1,314	45,331
Dana Point State Department of Boating and Waterways Loan Reserve	--	1,031	(91)	940
Total Expenditures/Encumbrances and Other Financing Uses	<u>13,845</u>	<u>223,959</u>	<u>(34,426)</u>	<u>203,378</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(13,845)	(45,739)	(5,057)	(64,641)
Fund Balances - Beginning of Year	--	49,977	--	49,977
Cancellation of Reserves/Designations	--	1,974	5,057	7,031
Fund Balance Reserved for Encumbrances	13,845	--	--	13,845
Provisions for Reserves and/or Designations	--	(6,212)	--	(6,212)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement
OC Parks
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2008	Unspent Appropriations	
\$ 50,322	\$ 3,527			Revenues and Other Financing Sources
375	76			Taxes
150	(74)			Licenses, Permits, and Franchises
37,547	513			Fines, Forfeitures and Penalties
12,440	(2,414)			Use of Money and Property
6,878	539			Intergovernmental Revenues
1,326	(273)			Charges for Services
4,528	(27,065)			Other Revenues
113,566	(25,171)			Transfers In
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				Recreation and Cultural Services:
3,762	10,352	\$ 18	\$ 10,334	County Tidelands - Newport Bay
16,643	28,865	2,313	26,552	Dana Point Tidelands
48,716	48,769	5,163	43,606	Harbors, Beaches, and Parks
11,694	33,637	2,649	30,988	Harbors, Beaches, and Parks Capital
				Dana Point State Department of Boating and Waterways Loan Reserve
1	939	--	939	Total Expenditures/Encumbrances and Other Financing Uses
80,816	122,562	\$ 10,143	\$ 112,419	Excess (Deficit) of Revenues and Other Financing Sources
				Over Expenditures/Encumbrances and Other Financing Uses
32,750	\$ 97,391			Fund Balances - Beginning of Year
88,706				Cancellation of Reserves/Designations
(38,325)				Fund Balance Reserved for Encumbrances
10,143				Provisions for Reserves and/or Designations
28,182				Fund Balances - End of Year
\$ 121,456				

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 200

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises		\$ 8,363	\$ 87	\$ 8,450
Fines, Forfeitures and Penalties		3,153	--	3,153
Use of Money and Property		9,038	210	9,248
Intergovernmental Revenues		74,859	(50,376)	24,483
Charges for Services		7,900	(220)	7,680
Other Revenues		19,394	135	19,529
Transfers In		8,402	1,721	10,123
Total Revenues and Other Financing Sources		<u>131,109</u>	<u>(48,443)</u>	<u>82,666</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab Investigation Team	\$ --	873	402	1,275
County Automated Fingerprint Identification	4	1,066	41	1,111
Building and Safety	564	10,834	(36)	11,362
Narcotic Forfeiture and Seizure Sheriff-Regional Narcotics Suppression Program	200	621	1,357	2,178
Motor Vehicle Theft Task Force	69	7,254	587	7,910
Clerk Recorder Special Revenue	14	3,197	184	3,395
Proposition 64 - Consumer Protection	--	4,494	6,500	10,994
Proposition 69 - DNA Identification	--	236	69	305
Juvenile Justice Reform	--	1,502	94	1,596
Traffic Violator	--	--	1,539	1,539
Childrens' Waiting Room	--	2,262	119	2,381
Sheriff Narcotics Program	--	935	150	1,085
Orange County Jail	17	2,446	429	2,892
Sheriff's State Criminal Alien Assistance Program	--	2,835	246	3,081
Substance Abuse/Crime Prevention	--	14,271	7,743	22,014
County Public Safety Sales Tax Excess Revenues	--	4,163	3,094	7,257
California Automated Fingerprint Identification Operational Costs	--	82,672	7,167	89,839
California Automated Fingerprint Identification Systems Costs	--	1,184	100	1,284
Sheriff's Supplemental Law Enforcement Services	78	17,611	(202)	17,487
District Attorney's Supplemental Law Enforcement Services	--	2,438	9	2,447
Sheriff-Coroner Replacement and Maintenance	--	1,032	58	1,090
Ward Welfare	--	21,831	227	22,058
Court Facilities	--	114	100	214
Sheriff's Substations Fee Program	1,194	2,426	438	4,058
Jail Commissary	--	7,740	6	7,746
Inmate Welfare	70	8,579	(205)	8,444
Child Support Program Development	48	13,069	336	13,453
800 MHz County-Wide Coordinated Communications System	--	63,367	(52,683)	10,684
Delta Special Revenue	301	19,550	1,590	21,441
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>124</u>	<u>1</u>	<u>125</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(2,559)	(167,617)	(27,903)	(198,079)
Fund Balances - Budgeted Fund - Beginning of Year	--	169,311	--	169,311
Fund Balances - Non-Budgeted Fund - Beginning of Year	--	--	--	--
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--
Cancellation of Reserves/Designations	--	--	27,903	27,903
Fund Balance Reserved for Encumbrances	2,559	--	--	2,559
Provisions for Reserves and/or Designations	--	(1,694)	--	(1,694)
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	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2008	Unspent Appropriations	
\$ 8,775	\$ 325			Revenues and Other Financing Sources
6,510	3,357			Licenses, Permits, and Franchises
14,102	4,854			Fines, Forfeitures and Penalties
33,873	9,390			Use of Money and Property
5,985	(1,695)			Intergovernmental Revenues
8,056	(11,473)			Charges for Services
4,035	(6,088)			Other Revenues
81,336	(1,330)			Transfers In
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				Public Protection:
				Orange County Methamphetamine Lab
1,124	151	\$ --	\$ 151	Investigation Team
752	359	--	359	County Automated Fingerprint
8,904	2,458	274	2,184	Identification
595	1,583	211	1,372	Building and Safety
				Narcotic Forfeiture and Seizure
4,501	3,409	34	3,375	Sheriff-Regional Narcotics
2,945	450	57	393	Suppression Program
10,745	249	--	249	Motor Vehicle Theft Task Force
3	302	--	302	Clerk Recorder Special Revenue
981	615	--	615	Proposition 64 - Consumer Protection
197	1,342	--	1,342	Proposition 69 - DNA Identification
619	1,762	--	1,762	Juvenile Justice Reform
267	818	--	818	Traffic Violator
516	2,376	91	2,285	Childrens' Waiting Room
1,203	1,878	--	1,878	Sheriff Narcotics Program
				Orange County Jail
				Sheriff's State Criminal Alien
3,522	18,492	--	18,492	Assistance Program
6,447	810	--	810	Substance Abuse/Crime Prevention
				County Public Safety Sales Tax
51,811	38,028	--	38,028	Excess Revenues
				California Automated Fingerprint
1	1,283	--	1,283	Identification Operational Costs
				California Automated Fingerprint
401	17,086	232	16,854	Identification Systems Costs
				Sheriff's Supplemental Law
1,257	1,190	--	1,190	Enforcement Services
				District Attorney's Supplemental
1,046	44	--	44	Law Enforcement Services
				Sheriff-Coroner Replacement
403	21,655	255	21,400	and Maintenance
174	40	5	35	Ward Welfare
1,973	2,085	435	1,650	Court Facilities
78	7,668	4	7,664	Sheriff's Substations Fee Program
6,327	2,117	74	2,043	Jail Commissary
4,142	9,311	53	9,258	Inmate Welfare
1,703	8,981	--	8,981	Child Support Program Development
				800 MHz County-Wide Coordinated
3,790	17,651	3,000	14,651	Communications System
3	122	--	122	Delta Special Revenue
116,430	164,315	\$ 4,725	\$ 159,590	Total Expenditures/Encumbrances
				and Other Financing Uses
				Excess (Deficit) of Revenues
				and Other Financing Sources
				Over Expenditures/Encumbrances
				and Other Financing Uses
(35,094)	\$ 162,985			
227,881				Fund Balances - Budgeted Fund -
				Beginning of Year
5,508				Fund Balances - Non-Budgeted Fund -
				Beginning of Year
(755)				Net Decrease in Fund Balances -
(34,754)				Non-Budgeted Fund
4,725				Cancellation of Reserves/Designations
30,029				Fund Balance Reserved for Encumbrances
\$ 197,540				Provisions for Reserves and/or Designations
				Fund Balances - End of Year

**BUDGETARY COMPARISON STATEMENT
 RECONCILIATION OF THE GENERAL 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
Revenues and Other Financing Sources		
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements	\$	2,912,127
Differences-budget to GAAP:		
Revenue reported as an other financing source in connection with the debt service principal payment for the 2007 POBs for the GAAP financial statements is excluded from the Budgetary Comparison 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.		(257,980)
The County does not budget for the net present value of the minimum lease payments at the inception of a capital lease, while GAAP requires it to be treated as an <i>other financing source</i> in the financial statements.		2,400
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.	\$	2,867,612
 Expenditures/Encumbrances and Other Financing Uses		
Actual expenditures reported in the Budgetary Comparison Statements	\$	2,971,826
Differences-budget to GAAP:		
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.		(37,847)
The County does not budget for the net present value of the minimum lease payments at the inception of a capital lease. However, GAAP requires the asset acquired under a capital lease to be reported as an expenditure in the financial statements.		2,400
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances.	\$	2,936,379



County of Orange
 Comprehensive Annual Financial Report
 June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
ASSETS				
Current Assets				
Pooled Cash/Investments (Notes 1 and 5)	\$ 111,921	\$ 329,998	\$ 441,919	\$ 216,212
Cash Equivalents/Specific Investments (Notes 1 and 5)	45,446	--	45,446	--
Cash/Cash Equivalents (Notes 1 and 5)	14,019	--	14,019	--
Imprest Cash Funds (Note 5)	14	35	49	133
Restricted Cash and Investments with Trustee (Note 5)	16,092	--	16,092	1,943
Restricted Pooled Cash/Investments (Note 5)	20,430	--	20,430	--
Deposits In-Lieu of Cash	39,287	--	39,287	--
Receivables				
Accounts	4,493	9,900	14,393	406
Passenger Facility Charges	2,278	--	2,278	--
Interest/Dividends	628	1,750	2,378	725
Allowance for Uncollectible Receivables	--	(1)	(1)	(2)
Due from Other Funds (Note 8)	1,492	54	1,546	5,614
Due from Component Unit (Note 8)	--	--	--	2
Due from Other Governmental Agencies	2,451	552	3,003	94
Inventory of Materials and Supplies (Note 1)	--	--	--	250
Prepaid Costs (Note 1)	1,507	786	2,293	48
Total Current Assets	260,058	343,074	603,132	225,425
Noncurrent Assets				
Restricted Cash and Investments with Trustee (Note 5)	17,962	10,855	28,817	--
Restricted Pooled Cash/Investments (Note 5)	--	31,845	31,845	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 5, and 15)	--	115,040	115,040	--
Deposits In-Lieu of Cash	--	17,131	17,131	--
Investments (Notes 1 and 5)	12,043	--	12,043	--
Prepaid Costs (Note 1)	--	3,930	3,930	--
Capital Assets: (Note 6)				
Land	15,678	22,380	38,058	--
Construction in Progress	71,298	4,750	76,048	1,457
Structures and Improvements	337,805	17,565	355,370	4,860
Accumulated Depreciation	(179,004)	(4,320)	(183,324)	(3,975)
Equipment	10,544	61,470	72,014	81,074
Accumulated Depreciation	(7,728)	(29,850)	(37,578)	(60,737)
Infrastructure	128,340	259,768	388,108	--
Accumulated Depreciation	(92,524)	(95,515)	(188,039)	--
Total Capital Assets	284,409	236,248	520,657	22,679
Bond Issuance Costs	464	181	645	--
Total Noncurrent Assets	314,878	415,230	730,108	22,679
Total Assets	574,936	758,304	1,333,240	248,104

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

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 14,023	\$ 7,558	\$ 21,581	\$ 4,851
Salaries and Employee Benefits Payable	442	623	1,065	448
Unearned Revenue	3,094	50	3,144	--
Due to Other Funds (Note 8)	1,722	1,847	3,569	790
Due to Other Governmental Agencies	1	1,625	1,626	3
Insurance Claims Payable (Notes 1 and 17)	--	--	--	47,285
Compensated Employee Absences Payable (Notes 1 and 12)	957	1,343	2,300	910
Estimated Liability - Litigation & Claims (Note 18)	--	5,176	5,176	--
Landfill Site Closure/Postclosure Liability (Notes 12 and 15)	--	1,037	1,037	--
Bonds Payable (Notes 1 and 12)	12,648	5,033	17,681	--
Capital Lease Obligations Payable (Notes 12 and 14)	--	--	--	1,390
Interest Payable	2,462	170	2,632	--
Deposits from Others	40,117	17,905	58,022	--
Total Current Liabilities	<u>75,466</u>	<u>42,367</u>	<u>117,833</u>	<u>55,677</u>
Noncurrent Liabilities				
Insurance Claims Payable (Notes 1 and 17)	--	--	--	99,531
Compensated Employee Absences Payable (Notes 1 and 12)	664	845	1,509	484
Landfill Site Closure/Postclosure Liability (Notes 12 and 15)	--	190,167	190,167	--
Bonds Payable (Notes 1 and 12)	77,249	31,144	108,393	--
Arbitrage Rebate Payable (Note 12)	--	36	36	--
Total Noncurrent Liabilities	<u>77,913</u>	<u>222,192</u>	<u>300,105</u>	<u>100,015</u>
Total Liabilities	<u>153,379</u>	<u>264,559</u>	<u>417,938</u>	<u>155,692</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	194,976	200,251	395,227	21,290
Restricted for (Note 1)				
Debt Service	31,592	33,001	64,593	--
Passenger Facility Charges Approved Capital Projects (Note 1)	19,853	--	19,853	--
Replacements and Renewals	1,000	--	1,000	--
Landfill Closure/Postclosure	--	54,253	54,253	--
Landfill Corrective Action	--	1,160	1,160	--
San Joaquin Restoration Project	--	3,120	3,120	--
Unrestricted (Note 1)	<u>174,136</u>	<u>201,960</u>	<u>376,096</u>	<u>71,122</u>
Total Net Assets	<u>\$ 421,557</u>	<u>\$ 493,745</u>	<u>\$ 915,302</u>	<u>\$ 92,412</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds			958	
Cumulative Effect of Prior Year's Internal Service Funds' Allocation			<u>(8,672)</u>	
Net Assets of Business-type Activities			<u>\$ 907,588</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	\$ 92,414	\$ 869	\$ 93,283	\$ 2,324
Licenses, Permits, and Franchises	--	68	68	--
Charges for Services	14,647	98,018	112,665	75,895
Insurance Premiums	--	--	--	228,179
Other	--	578	578	--
Total Operating Revenues	<u>107,061</u>	<u>99,533</u>	<u>206,594</u>	<u>306,398</u>
Operating Expenses				
Salaries and Employee Benefits	15,451	22,499	37,950	16,448
Services and Supplies	17,075	26,566	43,641	33,589
Professional Services	30,233	15,401	45,634	40,649
Operating Leases	415	737	1,152	4,673
Insurance Claims and Premiums (Note 17)	--	--	--	191,602
Other Charges	--	--	--	78,145
Taxes and Other Fees	--	7,805	7,805	--
Landfill Site Closure/Postclosure Costs (Note 15)	--	9,876	9,876	--
Depreciation (Note 6)	18,589	16,652	35,241	5,633
Total Operating Expenses	<u>81,763</u>	<u>99,536</u>	<u>181,299</u>	<u>370,739</u>
Operating Income (Loss)	<u>25,298</u>	<u>(3)</u>	<u>25,295</u>	<u>(64,341)</u>
Nonoperating Revenues (Expenses)				
Fines, Forfeitures and Penalties	--	15	15	--
Intergovernmental Revenues	384	185	569	1,428
Interest Revenue	8,630	20,576	29,206	10,334
Interest Expense	(5,749)	(2,480)	(8,229)	(295)
Gain (Loss) on Disposition of Capital Assets	1	20	21	77
Passenger Facility Charges Revenue	19,078	--	19,078	--
Other Revenue (Expense) - Net	2,782	(87)	2,695	1,467
Total Nonoperating Revenues	<u>25,126</u>	<u>18,229</u>	<u>43,355</u>	<u>13,011</u>
Income (Loss) Before Contributions, Transfers, and Special Items	50,424	18,226	68,650	(51,330)
Capital Grant Contributions	12,809	--	12,809	--
Capital Contributions	--	2,379	2,379	198
Special Items (Note 3)	(6,835)	--	(6,835)	--
Transfers In (Note 10)	--	--	--	2,873
Transfers Out (Note 10)	--	(16,802)	(16,802)	(188)
Increase/Decrease in Net Assets	<u>56,398</u>	<u>3,803</u>	<u>60,201</u>	<u>(48,447)</u>
Net Assets - Beginning of Year	365,159	489,942		140,859
Net Assets - End of Year	<u>\$ 421,557</u>	<u>\$ 493,745</u>		<u>\$ 92,412</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds			<u>958</u>	
Increase in Net Assets of Business-Type Activities			<u>\$ 61,159</u>	



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 101,823	\$ 101,271	\$ 203,094	\$ 81,223
Cash Received for Premiums within the County's Entity	--	--	--	228,179
Payments to Suppliers for Goods and Services	(46,799)	(40,058)	(86,857)	(272,662)
Payments to Employees for Services	(15,468)	(22,917)	(38,385)	(16,563)
Payments for Interfund Services Provided	(1,702)	(2,279)	(3,981)	(716)
Cash Receipts for Interfund Services Provided	--	--	--	662
Litigation Settlement Costs	--	5,176	5,176	--
Landfill Site Closure/Postclosure Care Costs	--	(1,037)	(1,037)	--
Taxes and Other Fees	--	(7,805)	(7,805)	--
Other Operating Receipts	2,782	--	2,782	755
Other Operating Payments	--	(5,747)	(5,747)	--
OPEB Contributions to Retirement Medical Trust	--	--	--	(82,105)
Net Cash Provided (Used) by Operating Activities	<u>40,636</u>	<u>26,604</u>	<u>67,240</u>	<u>(61,227)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	--	--	--	507
Transfers Out	--	(16,802)	(16,802)	(188)
Intergovernmental Revenues	464	185	649	1,428
Net Cash Provided (Used) by Noncapital Financing Activities	<u>464</u>	<u>(16,617)</u>	<u>(16,153)</u>	<u>1,747</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(38,759)	(12,514)	(51,273)	(5,488)
Principal Paid on Bonds	(12,765)	(5,030)	(17,795)	--
Interest Paid on Long-Term Debt	(2,460)	(2,090)	(4,550)	(295)
Capital Grant Contributions	14,174	--	14,174	--
Passenger Facility Charges Revenue	20,078	--	20,078	--
Principal Paid on Capital Lease Obligations	--	--	--	(1,335)
Proceeds from Sale of Capital Assets	3	201	204	192
Net Cash Used by Capital and Related Financing Activities	<u>(19,729)</u>	<u>(19,433)</u>	<u>(39,162)</u>	<u>(6,926)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	9,123	22,465	31,588	11,520
Proceeds from Sales and Maturities of Investments	9,452	--	9,452	--
Decrease in Restricted Investments with Trustee	--	(180)	(180)	--
Net Cash Provided by Investing Activities	<u>18,575</u>	<u>22,285</u>	<u>40,860</u>	<u>11,520</u>
Net Increase (Decrease) in Cash and Cash Equivalents	39,946	12,839	52,785	(54,886)
Cash and Cash Equivalents - Beginning of Year	167,976	464,079	632,055	273,174
Cash and Cash Equivalents - End of Year	<u>\$ 207,922</u>	<u>\$ 476,918</u>	<u>\$ 684,840</u>	<u>\$ 218,288</u>

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

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport	Waste Management	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 25,298	\$ (3)	\$ 25,295	\$ (64,341)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/Used by Operating Activities:				
Depreciation	18,589	16,652	35,241	5,633
Provision for Landfill Site Closure/Postclosure Costs	--	9,876	9,876	--
Fines, Forfeitures and Penalties	--	15	15	--
Other Revenue (Expense)	2,782	(87)	2,695	1,467
Landfill Site Closure Disbursements	--	(1,037)	(1,037)	--
(Increases) Decreases In:				
Deposits In-Lieu of Cash	(7,792)	491	(7,301)	--
Accounts Receivable	(449)	1,273	824	626
Due from Other Funds	(1,443)	(32)	(1,475)	81
Due from Other Governmental Agencies	(1)	471	470	2,375
Inventory of Materials and Supplies	--	--	--	(26)
Prepaid Costs	612	(4,714)	(4,102)	(2)
Increases (Decreases) In:				
Accounts Payable	310	2,194	2,504	(4,282)
Salaries and Employee Benefits Payable	89	98	187	59
Unearned Revenue	(2,307)	19	(2,288)	--
Due to Other Funds	(2,803)	(2,246)	(5,049)	(135)
Due to Other Governmental Agencies	1	(285)	(284)	(1,714)
Insurance Claims Payable	--	--	--	(794)
Compensated Employee Absences Payable	(106)	(516)	(622)	(174)
Deposits from Others	7,856	(498)	7,358	--
Arbitrage Rebate Payable	--	(243)	(243)	--
Estimated Liability - Litigation & Claims	--	5,176	5,176	--
Total Adjustments	15,338	26,607	41,945	3,114
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,636</u>	<u>\$ 26,604</u>	<u>\$ 67,240</u>	<u>\$ (61,227)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts				
Pooled Cash/Investments	\$ 111,921	\$ 329,998	\$ 441,919	\$ 216,212
Cash Equivalents/Specific Investments	45,446	--	45,446	--
Cash/Cash Equivalents	14,019	--	14,019	--
Imprest Cash Funds	14	35	49	133
Restricted Pooled Cash/Investments	20,430	31,845	52,275	--
Restricted Cash and Investments with Trustee	16,092 (1)	-- (2)	16,092	1,943
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	115,040	115,040	--
Total Cash and Cash Equivalents	<u>\$ 207,922</u>	<u>\$ 476,918</u>	<u>\$ 684,840</u>	<u>\$ 218,288</u>

Schedule of Noncash Investing, Capital, and Financing Activities:

- During the year, the Transportation Internal Service Fund received \$198 of capital contribution from the General Fund
- During the year, the Publishing Services Internal Service Fund lost \$2 on disposition of capital assets
- Waste Management received donation of \$2,379 for a gas flare station.
- The useful life of the Airport's Parking Structure B1 was adjusted which reduced the asset's net book value by \$6,835 (Note 3).

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

(2) Does not include \$10,855 from Waste Management's nonliquid Restricted Cash and Investment with Trustee.

**STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds
ASSETS				
Pooled Cash/Investments (Notes 1 and 5)	\$ 49,519	\$ 2,806,409	\$ 10,956	\$ 376,817
Imprest Cash Funds (Notes 1 and 5)	--	--	--	147
Restricted Cash and Investments with Trustees (Notes 1 and 5)	100	--	86,977	52,459
Investments (Notes 1 and 5)	--	--	--	9,973
Deposits In-Lieu of Cash	--	--	--	14,290
Receivables				
Accounts	--	--	--	14,539
Taxes (Note 1)	--	--	--	361,560
Interest/Dividends	183	14,045	84	12,838
Deposits	--	--	--	602
Allowance for Uncollectible Receivables	--	--	--	(4)
Due from Other Governmental Agencies	--	--	2,385	20,059
Prepaid Costs (Notes 4 and 18)	--	--	--	20,714
Notes Receivable	--	--	--	13,891
Total Assets	<u>49,802</u>	<u>2,820,454</u>	<u>100,402</u>	<u>\$ 897,885</u>
LIABILITIES				
Interest Payable	--	--	--	10,913
Deposits from Others	--	--	--	27,896
Monies Held for Others	--	--	--	317,244
Due to Other Governmental Agencies	4	275	10	42,286
Unapportioned Taxes	--	--	--	499,546
Total Liabilities	<u>4</u>	<u>275</u>	<u>10</u>	<u>\$ 897,885</u>
NET ASSETS				
Held in Trust	<u>49,798</u>	<u>2,820,179</u>	<u>100,392</u>	
Total Net Assets	<u>\$ 49,798</u>	<u>\$ 2,820,179</u>	<u>\$ 100,392</u>	

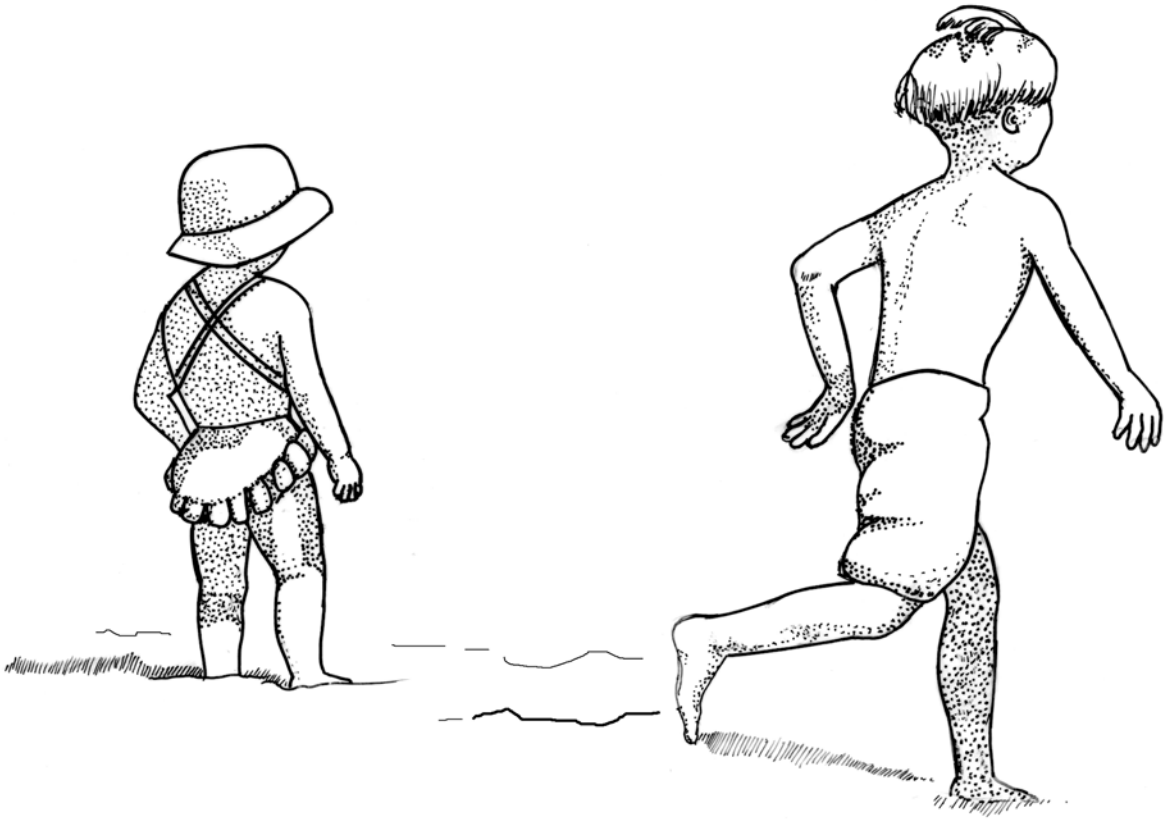
The notes to the basic financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Employee Benefits Trust Funds
Additions:			
Contributions to Pension Trust:			
Employer (Notes 19 and 20)	\$ --	\$ --	\$ 114,603
Employee (Notes 19 and 20)	--	--	1,184
Contributions to Pooled Investments (Note 5)	--	6,591,518	--
Contributions to Private-Purpose Trust	62,370	--	--
Interest and Investment Income (Loss) (Note 5)	2,032	135,508	(2,007)
Less: Investment Expense (Note 5)	(48)	(3,320)	(28)
Total Additions	<u>64,354</u>	<u>6,723,706</u>	<u>113,752</u>
Deductions:			
Benefits Paid to Participants (Notes 19 and 20)	--	--	27,236
Refunds of Prior Contributions (Note 19)	--	--	437
Distributions from Pooled Investments	--	6,849,888	--
Distributions from Private-Purpose Trust	60,563	--	--
Total Deductions	<u>60,563</u>	<u>6,849,888</u>	<u>27,673</u>
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	3,791	--	--
External Investment Pool (Note 5)	--	(126,182)	--
Employees' Pension and Other Employee Benefits (Notes 19 and 20)	--	--	86,079
Net Assets Held in Trust, Beginning of Year	46,007	3,125,860	14,313
Adjustment Due to Reclassification (Note 1)	--	(179,499)	--
Net Assets Held in Trust, Beginning of Year, as Restated	--	2,946,361	--
Net Assets Held in Trust, End of Year	<u>\$ 49,798</u>	<u>\$ 2,820,179</u>	<u>\$ 100,392</u>

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







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 (GAAP) in the United States of America, 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 the OC Community Resources 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. Please refer to Note 21 "Subsequent Events" which discusses the refunding of the Teeter Bonds and consequently the elimination of separate financial statements by the bondholders. 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 payments. At June 30, 2008, the County's governmental activities reported restricted net assets of \$1,416,673 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 \$512,361 and are restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2008, the County reported \$19,853 of net assets restricted by enabling legislation related to the Airport's PFC.

- 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, charges for engineering services provided, and property taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Flood Control District This fund accounts for the planning, construction, operation, and maintenance of regional flood protection and water conservation works, such as dams, control channels, retarding basins and other flood control infrastructure. Property taxes provide most of this fund's revenues.

Orange County Parks (OC 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, commercial and general aviation operations, leased property, auto parking, 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.

Fiduciary Fund Types The County of Orange has a total of 237 trust and agency funds for FY 2007-08. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

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 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 working less than 20 hours a week. 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, Elected Officials, certain executive managers, certain grandfathered administrative managers and attorneys represented by the Orange County Attorney's Association and certain other employee classifications as defined in the plan document.

Retiree Medical Defined Benefit Plan

This fund is used to account for the retiree medical benefits plan for eligible employees. The Board has adopted the County of Orange Retiree Medical Trust (The Trust) on July 2, 2007 to receive irrevocable contributions, to deposit, hold and invest such contributions separate and apart from the County and to exclusively pay out the Plan benefits for those eligible under the Plan.

Retiree Medical Defined Contribution Plan

This fund is used to account for the retiree medical defined contribution plan for new employees with the Association of Orange County Deputy Sheriffs (AOCDS). This plan replaced the Retiree Medical Grant for new employees on October 23, 2007, and to supplement frozen grants for current employees.

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 including the collection of taxes for special assessment debt. Disbursements are made from these funds 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

considers revenues to be available if they are collected within 60 days after the end of the current fiscal period.

Revenues that are accrued include real and personal property taxes, sales taxes, 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 collectability 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, 2008, the County reported \$201,314 of deferred revenue, and \$57,081 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*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Financial Statements (Continued)

The County has two enterprise funds: Airport and Waste Management. The principal operating revenues for Airport and Waste Management enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, and aircraft tie-down fees and (2) disposal fees charged to users of the waste disposal sites, respectively.

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

Fiduciary Fund Financial Statements

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

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. 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*
- *Flood Control District*
- *OC Parks*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

- *Other Public Protection*

E. Cash and Investments

The County maintains two cash and investment pools: the Orange County Investment Pool (“the County Pool”) and the Orange County Educational Investment Pool (“the Educational Pool”), the latter of which is utilized exclusively by the County’s public school and community college districts. These pools are maintained for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities.

The County has stated required investments at fair value in the accompanying financial statements. Management contracts with an outside service to provide pricing for the fair value of investments in the portfolio. Securities listed or traded on a national securities exchange are valued at the last quoted sales price. Short-term money market instruments are valued using an average of closing prices and rate data commonly known as matrix pricing. As discussed in Note 5, Deposits and Investments - Concentration of Credit Risk - Structured Investment Vehicles, the County has priced its structured investment vehicle holdings in Whistlejacket Capital LLC and Sigma Financial Inc. through alternative sources and analysis.

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 condensed statement of net assets of the County Pool (see Note 5, Deposits and Investments) as undistributed and unrealized gains. The investments in the Retiree Medical Defined Benefit Trust are managed by the Orange County Employees Retirement System (OCERS) and are reported at fair value. Refer to Note 19, Retirement Plans, to obtain OCERS stand-alone annual financial statements.

F. 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.

G. Prepaid Costs

The County pays for certain types of services in advance such as pension cost 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, 2008,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Costs (Continued)

the County has prepaid costs of \$176,216 in the Statement of Net Assets, which primarily consist of the County's Investment Account with OCERS for future pension costs of \$163,111 (see Note 19 for additional information regarding this pension investment asset for the OCERS Pension Plan) and a deferred charge of \$4,716 reported in the Business-Type activities representing the agreement with the City of Irvine to prepay community amenities and transportation improvement costs associated with operating the Frank R. Bowerman Landfill to the City of Irvine for the period of 2008 through 2014.

H. Land and Improvements Held for Resale

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

I. Capital Assets

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

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Self-Insurance

The County is self-insured for general and automobile liability and workers' compensation claims, for claims arising under the County self-insured PPO Health Plans, salary continuance plan, 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 17, Self-Insurance.

K. Property Taxes

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are 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 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 unitary), 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, 2008 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, 2008, 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)

K. Property Taxes (Continued)

The following are significant dates on the property tax calendar:

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

L. Compensated Employee Absences

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

M. Statement of Cash Flows

Statements of Cash Flows are presented for proprietary fund types. Cash and 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.

N. Indirect Costs

County indirect costs are allocated to benefiting departments in the "Indirect Expenses Allocation" column of the government-wide Statement of Activities. Allocated costs are from the County's FY 2007-08 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)

O. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented in FY 2007-08:

- GASB Statement No. 43, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", - see Note 20 for additional information.
- GASB Statement No. 45, "*Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*" – see Notes 2 and 20 for additional information.
- GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers*", - see Note 12 for additional information.
- GASB Statement No. 50, "*Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*", - see Notes 19 and 20, and RSI for additional information.
- GASB Statement No. 47, "*Accounting for Termination Benefits*." This statement provides guidance on accounting and financial reporting for termination benefits. 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 does not offer termination benefits provided through a defined benefit OPEB plan, and determined that the requirements of this statement are not applicable. For all other termination benefits, the County implemented those requirements in FY 2005-06.

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

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

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.

In November 2007, GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*." This statement provides reporting standards for land and other real estate held as investments by endowments. It requires endowments to report their land and other real estate investments at fair value. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2008, which requires the County to implement this statement in FY 2008-09. The County's Permanent Fund does not own any land and other real estate investments.

In June 2008, GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*." This statement addresses how state and local governments should recognize, measure, and disclose information regarding derivative instruments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. Examples of derivative instruments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The requirements of this statement are

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Effects of New Pronouncements (Continued)

effective for the financial statements for periods beginning after June 15, 2009, which requires the County to implement this statement in FY 2009-10. Currently, the County Treasurer's Investment Policy Standards prohibits the purchase of derivative instruments as investments in the County's investment pools and the Public Financing Advisory Committee policy prohibits derivative debt instruments.

P. Use of Estimates

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

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

Several asset or liability line items in the Governmental Funds' Balance Sheet and the Proprietary Funds' Statement of Net Assets are combined into one line item in the Government-Wide Statement of Net Assets for presentation purposes. In order to avoid any confusion, the following table lists the line items shown in the Governmental and Proprietary Fund financial statements that are condensed together in the Government-Wide Statement of Net Assets.

<i>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. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Health Care Benefits," permits a sole or agent employer to make retroactive computation of its beginning net OPEB obligation if the employer has actuarial information for years prior to implementation. The County has elected to compute the net OPEB obligation (NOO) at transition retroactively, using a 1-year look back period. The prior period adjustment of the NOO with a one-year look back period is calculated as follows:

2. CHANGES IN ACCOUNTING PRINCIPLES (Continued)

June 30, 2006 NOO	\$	0
FY 2006-07 Annual OPEB Cost		55,465
FY 2006-07 Contributions		<u>(24,235)</u>
June 30, 2007 NOO	\$	<u>31,230</u>

This adjustment is reflected in the Net Assets Beginning of the Year for governmental activities in the Statement of Activities:

Net Assets at June 30, 2007	\$	3,729,600
GASB Statement No. 45 Adjustment		<u>(31,230)</u>
Net Assets at June 30, 2007, as Restated	\$	<u>3,698,370</u>

In the current year, the County reevaluated the classification and reporting of Investment Trust Funds, and reclassified certain Trial Courts, Special Assessment District and Community Facility District funds from Investment Trust Funds to Agency Funds in order to better reflect the nature of these funds; the primary purpose of these funds is not the generation of income. GAAP directs that a change in the application of an accounting principle be treated as an adjustment to beginning equity. The impact of the reclassification resulted in a decrease to the beginning net assets for Investment Trust Funds of \$179,499. The adjustment is summarized in the following table and is reflected in Net Assets Held in Trust, Beginning of the Year, as Restated in the Statement of Changes in Fiduciary Net Assets, and in the External Pool Condensed Financial Statements of Note 5 – Deposits and Investments.

Net Assets Held in Trust, Beginning of Year	\$	3,125,860
Adjustment Due to Reclassification		<u>(179,499)</u>
Net Assets Held in Trust, Beginning of Year, as Restated	\$	<u>2,946,361</u>

3. SPECIAL ITEMS

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence, and they are reported in a separate category in the Government-Wide Statement of Activities and Governmental Funds' Statement Proprietary Funds' Statement of Changes in Revenues, Expenses and Changes in Fund Net Assets. The County reports the following special item for the fiscal year ended June 30, 2008:

During FY 2004-2005, an Airport Improvement Program was approved by the Board of Supervisors that included construction of a new terminal (Terminal C) and a new parking structure. This Program required the demolition of Parking Structure B1 to make room for the new terminal building; the Parking Structure B1 was assigned a 45 year useful life. The County evaluated the timing of events related to the demolition of Parking Structure B1 and determined the parking structure's useful life should be re-evaluated (reduced substantially) as of the year-ended June 30, 2008. As a result of the re-evaluation, its remaining life was reduced from 27 years to two and one-half months.

As of the fiscal year ended June 30, 2008, 18 years of the parking structure's useful life had been depreciated and the approximate net book value was \$9,841. A portion of the parking structure will not be demolished and will remain in order to support an existing baggage handling screening (BHS) facility. This remaining portion was determined to be valued at \$1,207 and is reported in the Proprietary Funds' Statement of Net Assets and Government-Wide Statement of Net Assets.

3. SPECIAL ITEMS (Continued)

Parking Structure B1 as of June 30, 2008

Net Book Value before Useful Life Adjustment	\$ 9,841
Less: Net Book Value of Remaining Portion (BHS)	<u>(1,207)</u>
Net Book Value of Portion to be Demolished before Useful Life Adjustment	8,634
Less: Net Book Value of Portion to be Demolished after Useful Life Adjustment	<u>(1,799)</u>
Amount to be Reported as a Special Item	<u>\$ 6,835</u>

Refer to Note 21, Subsequent Events, for additional discussion.

4. DEFICIT FUND EQUITY

The Workers' Compensation Internal Service Fund (ISF) reported a deficit net asset balance of \$14,362. 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. The deficit for the Workers' Compensation ISF increased by \$4,846 from the previous fiscal year due to an increase in the actuarial determined liability amount and decreased charges to participants in the program. Charges to County departments have not provided sufficient cash flow to entirely fund the deficit in this ISF. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program to the most efficient level.

5. DEPOSITS AND INVESTMENTS

Deposits and investments (including repurchase agreements) totaled \$6,557,036 as of June 30, 2008. 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 County Treasurer has also established the OC Extended Fund B which is comprised of the Whistlejacket Capital LLC structured investment vehicle holding ("Whistlejacket"). 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 both the Extended Fund and OC Extended Fund B is 3 years, with a maximum weighted average maturity of 18 months.

The primary investment objectives of the Treasurer's investment activities are to safeguard principal and to maintain the liquidity needs of the County and other depositors. After meeting the primary investment objectives, the Treasurer considers attaining a competitive rate of return commensurate with investment risk and attempting to stabilize 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.

The Treasurer also manages specific investment funds subject to the IPS as well as Board action or other legal authority. Included below under the heading "Specific Investments" are the John Wayne Airport Investment Pool (Money Market Fund), the Orange County Children and Families Commission Investment Pool (US Treasuries), and other separately managed investments.

5. DEPOSITS AND INVESTMENTS (Continued)

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% 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% is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County.

Total County deposits and investments at fair value as of June 30, 2008 are reported as follows:

Deposits:		
Imprest Cash	\$	1,777
Deposit Overdraft		(100,397)
Total Cash Overdrafts		<u>(98,620)</u>
Investments:		
With Treasurer		6,033,859
With Trustee		621,797
Total Investments		<u>6,655,656</u>
Total Deposits and Investments	\$	<u><u>6,557,036</u></u>

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

Governmental Funds	\$	2,071,345
Component Unit		148,346
Fiduciary Funds		3,393,357
Proprietary Funds		943,988
Total Deposits and Investments	\$	<u><u>6,557,036</u></u>

B. Investments

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

External Investment Pools

The County Treasurer sponsors two external investment pools: the County Pool, and the Educational Pool. Both pools consist of a Money Market Fund and an Extended Fund. The County Treasurer has a written IPS specifically for the separately managed County and Educational Investment Pools. The IPS is

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

External Investment Pools (Continued)

more restrictive than required by California Government Code (the Code). The following are significant differences where the IPS is more restrictive than the Code: investment in reverse repurchase agreements is allowed by the Code but is not allowed under the IPS; the Code allows a higher percentage for investments in single issuer for a period up to three business days; the Code does not limit the purchase of securities from issuers that have been placed on credit watch negative whereas the IPS does; the Code allows maximum maturities of five years and the IPS limits maturities to three years.

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 Statistical Rating Organizations (NRSROs): 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 of a high rating "A-" for Money Market Funds & "Aaa" for the Extended Fund) as provided by at least two of the NRSROs (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 1940 (10%). In addition, no investment may be purchased from an issuer that has been placed on credit watch-negative by any of NRSROs, or whose credit rating by any of the NRSROs 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 and Fitch or Moody's. 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 denominated in United States dollar. At the time of the purchase of any security, a fund may invest up to 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.

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

External Investment Pools (Continued)

The Treasury Oversight Committee established in December 1995, which consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools and two public members, conducts Treasury oversight. On June 26, 2008, Moody's Investor Service reaffirmed credit ratings of Aaa/MR1 market risk ratings for the County and Educational Investment Pools. On December 1, 2008, Standard and Poors Rating Services assigned a AAAM Principal Stability Fund Rating to the Orange County Money Market Fund and the Orange County Educational Money Market Fund. 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, 2008, the County Pool includes approximately 8.99% external involuntary participant deposits for certain assessment districts and certain bond related funds for public school districts.

As of June 30, 2008, the major classes of the County's investments consisted of the following:

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
<u>County Pool</u>					
U.S. Government Agencies	\$ 1,178,374	\$ 1,177,080	Discount, 2.03 - 5.55%	07/02/08 - 06/23/11	1.22
U.S. Treasury Bills	115,507	115,584	1.24 - 2.90%	07/02/08 - 03/31/09	0.12
Commercial Paper	815,523	817,429	Discount	07/01/08 - 10/24/08	0.09
Negotiable Certificates of Deposit	269,003	269,000	2.50 - 2.93%	07/08/08 - 03/18/09	0.11
Medium-Term Corporate Notes	459,181	470,754	2.48 - 6.31%	07/14/08 - 10/30/10	0.41
Repurchase Agreements	200,000	200,000	2.45%	07/01/08	0.00
Money Market Mutual Funds	97,895	97,895	Variable	07/01/08	0.00
	<u>\$ 3,135,483</u>	<u>\$ 3,147,742</u>			<u>0.56</u> *
<u>Educational Pool</u>					
U.S. Government Agencies	\$ 1,347,847	\$ 1,347,050	Discount, 2.04 - 5.55%	07/02/08 - 06/23/11	0.95
U.S. Treasury Bills	99,350	99,416	1.24 - 2.90%	07/02/08 - 03/31/09	0.12
Commercial Paper	626,826	627,683	Discount	07/01/08 - 09/10/08	0.05
Negotiable Certificates of Deposit	131,000	131,000	2.50 - 2.93%	07/29/08 - 03/18/09	0.14
Medium-Term Corporate Notes	393,986	403,999	2.47 - 6.31%	09/18/08 - 10/30/10	0.42
Repurchase Agreements	75,000	75,000	2.45%	07/01/08	0.00
Money Market Mutual Funds	76,676	76,676	Variable	07/01/08	0.00
	<u>\$ 2,750,685</u>	<u>\$ 2,760,824</u>			<u>0.55</u> *

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

External Investment Pools (Continued)

<u>With Treasurer (Conitnued)</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
<u>Specific Investments</u>					
U.S. Government Agencies	\$ 27,216	\$ 27,290	Discount	07/07/08 - 09/17/08	0.11
U.S. Treasury Bills	40,147	40,000	2.01 - 4.80%	07/31/08 - 04/30/10	0.93
Commercial Paper	16,612	16,637	Discount	07/03/08 - 08/19/08	0.06
Negotiable Certificates of Deposit	6,000	6,000	2.63 - 2.93%	07/08/08 - 03/18/09	0.11
Medium-Term Corporate Note	1,067	1,070	3.15%	08/05/08	0.10
Repurchase Agreements	1,082	1,082	6.18%	08/15/19	11.10
Money Market Mutual Funds	55,567	55,567	Variable	07/01/08	0.00
	\$ 147,691	\$ 147,645			0.37 *
<u>With Trustees:</u>					
<u>Restricted Investments with Trustees</u>					
U.S. Government Agencies	\$ 213,140	\$ 139,489	Discount	08/05/08-09/01/16	3.96
U.S. Treasury Bonds	3,382	2,613	Discount, 9%	11/15/18	0.06
Guaranteed Investment Contracts	249,986	249,986	Variable, 4.27-7.28%	07/08/08-09/01/23	2.05
Money Market Mutual Funds	68,309	68,309	Variable, 2.11%	07/01/08	0.00
Stable Value Fund	10,237	10,237	Variable	07/01/08	0.00
	\$ 545,054	\$ 470,634			6.08 *
<u>With External Orange County Retirement System (OCERS):</u>					
Restricted Investments with Trustees**	\$ 76,743				

* Portfolio weighted average maturity.

** The Retiree Medical Trust reports \$76,743 of restricted investment with OCERS. Refer to Note 20 on how to obtain OCERS financial statements.

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 \$3,135,483 and the Educational Pool's \$2,750,685 portfolio at June 30, 2008, over 67.2% and 57.6%, respectively of the investments have a maturity of six months or less. Of the remainder, only 22.9% and 22.5% respectively have a maturity of more than one year.

At June 30, 2008, the weighted average maturity of the County Pool was 0.56 years and the Educational Pool was 0.55 years. At the same date, the Net Asset Value (NAV) of the Money Market Funds for both pools was \$1.00 (in absolute dollar amounts). The annual average daily investment balance of the County Pool and the Educational Pool amounted to \$3,228,008 and \$3,003,398 with an average effective yield of 4.42% and 4.43%, respectively, for the year ended June 30, 2008.

As of June 30, 2008, 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.

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (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, in accordance with the IPS, 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 NRSROs as explained above. 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, 2008, 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, 2008, the County did not exceed the IPS limitations that states that no more than 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one money market mutual fund.

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2008 (NR means Not Rated):

Investments	S & P	Moody's	Fitch	% of Portfolio
County Pool				
U.S. Treasuries	AAA	Aaa	AAA	3.68%
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	3.50%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	4.74%
Federal Farm Credit Bank	AAA	Aaa	AAA	8.06%
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	6.77%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	4.62%
Freddie Mac Discount Notes	AAA	Aaa	AAA	1.91%
Freddie Mac Bonds	AAA	Aaa	AAA	7.98%
Commercial Paper	A-1	P-1	F1	26.01%
Negotiable Certificates of Deposit	A-1	P-1	F1	8.58%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	4.15%
Corporate Notes	AA	A	NR	1.18%
Corporate Notes	AAA	Aaa	AAA	8.17%
Corporate Notes	NR	B	NR	1.15%
Repurchase Agreements	NR	NR	NR	6.38%
Money Market Mutual Funds	AAA	Aaa	AAA	3.12%
Total County Pool				<u>100.00%</u>

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk (Continued)

<u>Investments (Continued)</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>% of Portfolio</u>
<u>Educational Pool</u>				
US Treasuries	AAA	Aaa	AAA	3.61%
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	8.75%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	4.64%
Federal Farm Credit Bank	AAA	Aaa	AAA	6.97%
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	8.76%
Federal Home Loan Bank Bonds	AAA	Aaa	AAA	7.39%
Freddie Mac Discount Notes	AAA	Aaa	AAA	4.68%
Freddie Mac Bonds	AAA	Aaa	AAA	7.82%
Commercial Paper	A-1	P-1	F1	22.78%
Negotiable Certificates of Deposit	A-1	P-1	F-1	4.76%
Medium-Term Corporate Notes				
Corporate Notes	A	A	A	2.28%
Corporate Notes	A	Aa	NR	0.84%
Corporate Notes	AA	A	NR	1.15%
Corporate Notes	AAA	Aaa	AAA	8.92%
Corporate Notes	NR	B	NR	1.13%
Repurchase Agreements	NR	NR	NR	2.73%
Money Market Mutual Funds	AAA	Aaa	AAA	2.79%
Total Educational Pool				100.00%
<u>Specific Investments</u>				
U.S Treasury	AAA	Aaa	AAA	27.18%
U.S. Government Agencies				
Federal Home Loan Bank Discount Notes	AAA	Aaa	AAA	5.55%
Federal National Mortgage Association Discount Notes	AAA	Aaa	AAA	4.70%
Freddie Mac Discount Notes	AAA	Aaa	AAA	8.19%
Commercial Paper	A-1	P-1	F1	11.25%
Negotiable Certificates of Deposit				
Certificates of Deposit/Yankee CD	A-1	P-1	F1	2.71%
Certificates of Deposit	AA	Aa	AA	1.35%
Medium-Term Notes	A	A	NR	0.72%
Repurchase Agreements	NR	NR	NR	0.73%
Money Market Mutual Funds	AAA	Aaa	AAA	37.62%
Total Specific Investments				100.00%

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk (Continued)

Investments (Continued)	S & P	Moody's	Fitch	% of Portfolio
<u>Restricted Investments with Trustees</u>				
<u>(Excluding Restricted Investments with OCERS)*</u>				
U.S. Government Agencies				
Federal National Mortgage Association Discount Notes	NR	P-1	F1	2.68%
Federal National Mortgage Association Bonds	AAA	Aaa	AAA	36.43%
U.S. Treasury Bonds	AAA	Aaa	AAA	0.62%
Guaranteed Investment Contracts	NR	NR	NR	45.86%
Money Market Mutual Funds	AAA	Aaa	N/R	12.53%
Stable Value Fund	NR	NR	NR	1.88%
Total Restricted Investments with Trustees				<u>100.00%</u>

* For the ratings of the restricted investments held with OCERS, refer to OCERS Comprehensive Annual Financial Report for the year ended December 31, 2007.

Concentration of Credit Risk - Structured Investment Vehicles (SIVs)

As of June 30, 2008, the Extended Fund (jointly owned by the County and Educational Pools) held \$535,000 medium-term notes in SIVs. The SIVs are classified as medium-term notes in both the County and Educational Pools on pages 91 and 92. The IPS requires a rating from at least two NRSRO's for medium-term notes. All SIV holdings were purchased in compliance with the IPS. On February 15, 2008, subsequent to purchase, Whistlejacket Capital LLC went into default and consequently S & P reduced its long-term debt rating to "D" and removed the rating on May 12, 2008 at the request of Whistlejacket. Whistlejacket Capital LLC's "NR" rating by S&P is reflected in the above table.

The financial market credit tightening that emerged in the Summer of 2007 has created challenges for investors in these asset classes. SIVs have generally experienced a significant decrease in liquidity as a result of the reduction in demand for Asset Backed Commercial Paper as well as the lack of liquidity and overall volatility in the markets for the collateral underlying these investment structures. All but two of the County's SIV holdings have received support from sponsoring banks. As noted in the table and further discussed below, Sigma Finance Inc. and Whistlejacket Capital LLC do not have support from sponsoring banks.

The following represents a summary by issuer of all SIV holdings at June 30, 2008:

Structure of Investment Vehicles- Holding by Issuer	Principal	S & P	Moody's	Fitch
CC (USA) Inc, \$	100,000	AAA/A-1+	Aaa/P-1	NR
Five Finance, Inc	65,000	AAA/A-1+	Aaa/P-1	AAA
K2 (USA) LLC	50,000	AAA/A-1+	Aaa/P-1	NR
Sigma Finance Inc. (a)	75,000	AA-*/A-1+*-	A2*/P-2*-	NR
Tango Finance Corp.	165,000	AAA/A-1+	Aaa/P-1	NR
Whistlejacket Capital LLC	80,000	NR	B2/NP	NR
\$	535,000			

(a) The rating modifier "*" denotes the rating agency has placed the issuer's rating on credit watch for a possible ratings downgrade.

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk - Structured Investment Vehicles (SIVs) (Continued)

With the exception of Whistlejacket Capital LLC all interest and principal payment on SIVs held during the year ended June, 30 2008 were received on a timely basis. The following table provides additional information and a brief summary of the status of each of the Treasury's SIV holdings as of June 30, 2008:

<u>Issuer</u>	<u>Sponsor Investment Manager</u>	<u>Maturity Date Range</u>	<u>SIV Status</u>	<u>Payment Status</u>
CC(USA) Inc.	Citigroup Inc.	01/23/09- 02/09/09	Assets on balance sheet of sponsor and committed support facility	Current
Five Finance, Inc.	Citigroup Inc.	11/25/2008	Assets on balance sheet of sponsor and committed support facility	Current
K2 (USA) LLC	Dresdner	02/23/09-06/09/09	Support facility implemented	Current
Sigma Finance Inc. (a)	Gordian Knot (no bank sponsorship)	10/30/2008	These holdings were sold prior to maturity on September 12, 2008 (see discussion below)	Current
Tango Finance Corp.	Rabobank	11/12/08-09/25/09	Assets on balance sheet of sponsor	Current
Whistlejacket Capital LLC	Standard Chartered withdrew support	01/25/09-01/26/09	Receiver appointed and a Senior Creditors' Committee was formed, awaiting reorganization (see discussion below)	In default

The following discussion highlights events that took place after June 30, 2008:

Sigma Finance Inc

On September 12, 2008, the Treasurer sold \$75,000 of the Extended Fund's position in Sigma Finance Incorporated medium-term notes (Notes). The Notes were originally scheduled to mature on October 30, 2008; however, the Treasurer sold the securities early at 91.5 (91.5% of face value) due to uncertain future market conditions. The loss on the Sigma sale of approximately \$6,400, combined with related interest earnings of \$6,500, resulted in a small realized gain on the position. The County has priced the June 30, 2008 holdings of Sigma at 91.5% in determining the overall unrealized gain or loss on investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". The County currently holds no position in Sigma Finance Incorporated.

Whistlejacket Capital LLC

Whistlejacket Receivership – Legal Proceedings

At June 30, 2008 the Treasury held \$80,000 of medium-term notes issued by Whistlejacket Capital LLC. The stated maturity dates for the Whistlejacket SIVs are January 25, 2009 (\$50,000) and January 26, 2009 (\$30,000). The Whistlejacket SIV is currently under receivership in England.

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – Structured Investment Vehicles (SIVs) (Continued)

Whistlejacket Capital LLC (Continued)

Whistlejacket Receivership – Legal Proceedings (Continued)

The Whistlejacket SIV breached a financial covenant on February 11, 2008 relating to the market value of its underlying collateral, resulting in the occurrence of an “enforcement event.” This resulted in the appointment of receivers on February 12, 2008. On February 15, 2008, the receivers declared the Whistlejacket SIV to be insolvent. Also on February 15, 2008, Whistlejacket failed to pay medium-term notes that matured. On February 21, 2008, Whistlejacket was in default with respect to the medium-term notes due to its failure to cure the payment default.

On March 5, 2008, a judgment of the English court determined that notes of all senior noteholders (including the County’s) whose notes matured after March 16, 2008 would be accelerated to March 16, 2008. Further, the English court determined that all notes that matured after the Trustee’s notice of an Insolvency Acceleration Event of February 15, 2008 (“Insolvency Acceleration Event”) were also to be treated as if they matured on March 16, 2008. One noteholder (“Party A”) held a note that matured and was payable on February 15, 2008, which was prior to the notice of the Insolvency Acceleration Event. The judgment effectively placed Party A in front of the other senior noteholders. Counterparties to certain repurchase agreements, who hold superior positions to the County, have foreclosed on the collateral under their respective agreements.

On May 22, 2008, an English appellate court reversed in part the March 5, 2008 judgment and held that all senior noteholders, including the County and Party A, are to be paid on a pro rata basis *pari passu* and that such payments do not need to be made on a pay-as-you-go basis. Subsequently, on June 11, 2008, the appellate court refused to grant leave to appeal to Party A in the matter. Party A subsequently determined not to seek further appeal by petitioning for leave before the House of Lords. The County has determined that the appellate court ruling favors the position of Deloitte LLP (the “Receiver”) and is consistent with the County’s understanding of the agreements the County entered into in connection with the Whistlejacket SIV. Until the Receiver determines the timing and final method of payment to the senior creditors and the effect of those determinations (as well as possibly others) on the assets underlying the senior creditors’ obligations, the County is unable to predict the likelihood, amount and timing of payment for the Whistlejacket SIV (see Partial Distribution below).

On June 25, 2008, the Treasurer established the OC Extended Fund B as a separate account in the Treasury. The sole asset of the OC Extended Fund B is the Whistlejacket SIV holdings. In the event that the Whistlejacket receivership leads to the County receiving less than the face value of the investment, losses will be allocated to all participants in the OC Extended Fund B based upon the proportional ownership of participants in the Extended Fund prior to the transfer of the Whistlejacket holdings into the OC Extended Fund B. Further, any gain or loss from the performance of the OC Extended Fund B will not be allocated to participants who enter the County Pool and Educational Pool on or after June 25, 2008.

Partial Distribution

On October 27, 2008, Whistlejacket Capital LLC (in receivership) made a partial distribution in respect of amounts outstanding to all senior creditors. The partial distribution of \$18,099 amounted to 22.62% of our entire senior creditor claim reducing our Whistlejacket holdings from \$80,000 to approximately \$62,000.

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – Structured Investment Vehicles (SIVs) (Continued)

Whistlejacket Capital LLC (Continued)

Valuation of Whistlejacket Capital LLC at June 30, 2008

The County has been unable to obtain independent pricing for the Whistlejacket SIV since the date of their payment default. The County has valued the Extended Fund's \$80,000 par value position in Whistlejacket Capital LLC at \$67,221 based on a price of 84 (84% of face value). The basis of the valuation is derived from both the Partial Distribution of \$18,099 and information provided by Deloitte LLP, as the appointed Receiver for Whistlejacket Capital LLC.

On December 2, 2008, Deloitte LLP, as Receiver, distributed a Whistlejacket Capital LLC unaudited Estimated Balance Sheet as of November 7, 2008 (Balance Sheet), with a detail listing of the investment portfolio with principal balances as of November 6, 2008. This information is the first public disclosure of the values of the Whistlejacket SIV holdings and goes beyond Portfolio Reports previously provided by the Receiver on a monthly basis.

The Balance Sheet sets forth Whistlejacket's Assets and Liabilities based on assumptions of an indicative recovery of the investment portfolio (Indicative Recovery). The Balance Sheet marked the portfolio at an Indicative Recovery assumption of 80% of the portfolio's Notional Values based on average indicative portfolio estimates provided by initial Investment Bank reorganization proposals. The Investment Banks' proposals estimated the portfolio assets at an amount they consider may be achieved as a realistic "bid price" rather than a "mark" (mark to market).

Based on the Balance Sheet the County computed an Indicative Recovery of Whistlejacket SIV Assets to Liabilities of 90.5%. A computation of the County's recovery based on the 90.5% and adding the principal amount of the Partial Distribution discussed above results in an Indicative Recovery amount specific to the County of approximately 92%.

In valuing the \$80,000 Whistlejacket SIV holdings the County conservatively used an estimate of 80% rather than the Indicative Recovery computation of 92%. Applying 80% to the \$62,144 principal balance of our holdings as of December 4, 2008 and adding the principal amount of the Partial Distribution results in a valuation of \$67,221 and a price of 84 (84% of face value).

The October 31, 2008 unaudited Portfolio Report provided by the Receiver stated 94% of the Whistlejacket SIV portfolio is S & P rated "A" or better with 54% rated "AAA", 26% rated "AA", and 14% rated "A."

CC USA

On November 19, 2008, Moody's rating agency downgraded CC USA from Aaa to Aa1 (on negative credit watch). \$50,000 of CC USA Inc. holdings matures on January 23, 2009 and the remaining \$50,000 matures on February 9, 2009.

Tango Finance Corporation

On July 30, 2008, \$40,000 of the County's position in Tango Finance Corporation was called one year prior to maturity by issuer. All principal and accrued interest was received. On September 25, 2008, \$25,000 of the County's position in Tango Finance Corporation was called one year prior to maturity by the issuer. All principal and accrued interest was received. On November 12, 2008, \$50,000 of Tango matured and all principal and interest was received, reducing the County holdings to \$50,000.

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – Structured Investment Vehicles (SIVs) (Continued)

Five Finance, Inc.

On November 19, 2008, Moody's and Fitch rating agencies downgraded Five Finance, Inc. from Aaa to Aa1 (on negative credit watch) and from AAA to AA (on negative credit watch) respectively. On November 25, 2008, \$65,000 of Five Finance matured. All principal and interest was received. This eliminates all holdings of Five Finance, Inc.

As of November 30, 2008, the County has reduced its SIV holdings to \$262,000.

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, 2008:

Entire Pool

Statements of Net Assets

	<u>County Investment Pool</u>	<u>Educational Investment Pool</u>	<u>Total</u>
Net Assets Held for Pool Participants	\$ 3,240,062	\$ 2,704,428	\$ 5,944,490
Equity of Internal Pool Participants	\$ 3,129,063	\$ -	\$ 3,129,063
Equity of External Pool Participants	115,751	2,709,122	2,824,873
Undistributed and Unrealized Loss	(4,752)	(4,694)	(9,446)
Total Net Assets	<u>\$ 3,240,062</u>	<u>\$ 2,704,428</u>	<u>\$ 5,944,490</u>

Statements of Changes in Net Assets

Net Assets at July 1, 2007	\$ 3,326,734	\$ 2,815,262	\$ 6,141,996
Net Changes in Investments by Pool Participants	<u>(86,672)</u>	<u>(110,834)</u>	<u>(197,506)</u>
Net Assets at June 30, 2008	<u>\$ 3,240,062</u>	<u>\$ 2,704,428</u>	<u>\$ 5,944,490</u>

5. DEPOSITS AND INVESTMENTS (Continued)

C. Investments (Continued)

Condensed Financial Statements (Continued)

External Pool Portion

**Combining Statements of
 Fiduciary Net Assets**

	County Investment Pool	Educational Investment Pool	Total
<u>Assets</u>			
Pooled Cash/Investments	\$ 115,571	\$ 2,690,838	\$ 2,806,409
Receivables: Interest/Dividends	191	13,854	14,045
Total Assets	<u>115,762</u>	<u>2,704,692</u>	<u>2,820,454</u>
<u>Liabilities</u>			
Due to Other Governmental Agencies	11	264	275
Total Liabilities	<u>11</u>	<u>264</u>	<u>275</u>
<u>Net Assets</u>			
Held in Trust	115,751	2,704,428	2,820,179
Total Net Assets	<u>\$ 115,751</u>	<u>\$ 2,704,428</u>	<u>\$ 2,820,179</u>

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

	County Investment Pool	Educational Investment Pool	Total
Additions:			
Contributions to Pooled Investments	\$ 142,039	\$ 6,449,479	\$ 6,591,518
Interest and Investment Income	2,880	132,628	135,508
Less: Investment Expense	(88)	(3,232)	(3,320)
Total Additions	<u>144,831</u>	<u>6,578,875</u>	<u>6,723,706</u>
Deductions:			
Distributions from Pooled Investments	160,179	6,689,709	6,849,888
Total Deductions	<u>160,179</u>	<u>6,689,709</u>	<u>6,849,888</u>
Change in Net Assets Held in Trust For External Investment Pool	(15,348)	(110,834)	(126,182)
Net Assets Held in Trust, Beginning of Year	310,598	2,815,262	3,125,860
Adjustment Due to Reclassification	(179,499)	--	(179,499)
Net Assets Held in Trust, Beginning of Year, Restated	131,099	2,815,262	2,946,361
Net Assets Held in Trust, End of Year	<u>\$ 115,751</u>	<u>\$ 2,704,428</u>	<u>\$ 2,820,179</u>

6. 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, 2008
	Balance July 1, 2007	Increases	Decreases	Adjustments	
Governmental Activities:					
Capital assets not depreciated:					
Land	\$ 606,166	\$ 4,723	\$ --	\$ --	\$ 610,889
Construction in Progress	316,627	72,799	(72,192)	--	317,234
Total Capital Assets Not Being Depreciated	<u>922,793</u>	<u>77,522</u>	<u>(72,192)</u>	<u>--</u>	<u>928,123</u>
Capital Assets, Depreciable:					
Structures and Improvements	912,458	42,904	(12)	--	955,350
Equipment	323,051	24,115	(12,734)	--	334,432
Infrastructure:					
Flood Channels	923,776	16,698	--	--	940,474
Roads	107,235	4,436	(17,792)	--	93,879
Bridges	62,665	--	--	--	62,665
Trails	32,428	551	--	--	32,979
Traffic signals	10,668	--	--	--	10,668
Harbors and Beaches	34,520	--	--	--	34,520
Capital Assets, Depreciable	<u>2,406,801</u>	<u>88,704</u>	<u>(30,538)</u>	<u>--</u>	<u>2,464,967</u>
Less Accumulated Depreciation For:					
Structures and Improvements	(403,426)	(26,322)	--	2	(429,746)
Equipment	(226,462)	(22,242)	11,960	(106)	(236,850)
Infrastructure:					
Flood Channels	(200,786)	(9,462)	--	--	(210,248)
Roads	(60,697)	(4,560)	13,249	--	(52,008)
Bridges	(20,522)	(1,251)	--	--	(21,773)
Trails	(21,931)	(830)	--	--	(22,761)
Traffic signals	(8,069)	(588)	--	--	(8,657)
Harbors and Beaches	(21,482)	(745)	--	--	(22,227)
Total Accumulated Depreciation	<u>(963,375)</u>	<u>(66,000)</u>	<u>25,209</u>	<u>(104)</u>	<u>(1,004,270)</u>
Capital Assets, Depreciable (Net)	<u>1,443,426</u>	<u>22,704</u>	<u>(5,329)</u>	<u>(104)</u>	<u>1,460,697</u>
Governmental Activities Total Capital Assets, Net	<u>\$ 2,366,219</u>	<u>\$ 100,226</u>	<u>\$ (77,521)</u>	<u>\$ (104)</u>	<u>\$ 2,388,820</u>

6. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2008
	Balance July 1, 2007	Increases	Decreases	Adjustments	
Business-Type Activities:					
Capital assets not depreciated:					
Land	\$ 38,058	\$ -	\$ --	\$ --	\$ 38,058
Construction in Progress	33,690	53,220	(352)	(10,510)	76,048
Total Capital Assets Not Being Depreciated	71,748	53,220	(352)	(10,510)	114,106
Capital Assets, Depreciable:					
Structures and Improvements	359,243	--	(10,730)	6,857	355,370
Equipment	63,295	8,483	(1,325)	(135)	70,318
Infrastructure	384,389	--	--	3,719	388,108
Capital Assets, Depreciable	806,927	8,483	(12,055)	10,441	813,796
Less Accumulated Depreciation For:					
Structures and Improvements	(175,268)	(13,392)	3,894	1,442	(183,324)
Equipment	(31,753)	(5,377)	1,141	107	(35,882)
Infrastructure	(170,125)	(16,472)	--	(1,442)	(188,039)
Total Accumulated Depreciation	(377,146)	(35,241)	5,035	107	(407,245)
Capital Assets, Depreciable (Net)	429,781	(26,758)	(7,020)	10,548	406,551
Business-Type Activities Total Capital Assets, Net	\$ 501,529	\$ 26,462	\$ (7,372)	\$ 38	\$ 520,657

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

Government Activities:	
General Government	\$ 3,201
Public Protection	33,254
Public Ways and Facilities	9,808
Health and Sanitation	2,628
Public Assistance	4,814
Education	1,073
Recreation and Cultural Services	5,589
Internal Service Funds' Depreciation	
Expense Allocated to Various Functions	5,633
Total Governmental Activities Depreciation Expense	66,000
Business-Type Activities:	
Airport	18,589
Waste Management	16,652
Total Business-Type Activities Depreciation Expense	35,241
Total Depreciation Expense	\$ 101,241

7. 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

\$248 of accounts receivable for governmental activities is not expected to be collected within the next fiscal year, which consists of various invoices and billings for services provided by the Transportation ISF and OC Public Works Department.

Deposits Receivable

Of the \$3,737 in deposits receivable for governmental activities, \$3,162 is not expected to be received within the next fiscal year, which consists of a \$2,762 deposit related to the United States Army Corps of Engineers (USACE) for the Santa Ana River Project. The remaining \$400 represents a deposit that is required by the vendor (Cardinal Health) per the price agreement with the Health Care Agency; the deposit will be returned within 60 days of the expiration of the price agreement.

Notes Receivable

Of the \$47,123 in notes receivable for governmental activities, \$30,370 is not expected to be received within the next fiscal year. \$28,409 consists of loans to build affordable, low to moderate income, and senior housing. \$1,422 is from the sale of surplus of County property. The remaining \$539 is for rehabilitation and loans provided to first time home buyers.

Loan Receivable

\$2,883 of loans receivable for governmental activities is not expected to be received within the next fiscal year. Of this amount, \$2,083 represents advances to Dana Point Harbor operators and \$800 is a loan receivable for Green River's Golf Course operation expenses.

Due from Other Governmental Agencies

\$55,690 due from other governmental agencies for governmental activities is not expected to be received within the next fiscal year. This consist primarily of \$55,010 that the State of California owes to the County for various Senate Bill (SB90) mandated cost reimbursements for programs and services the State requires the County to provide. The remaining \$680 includes revenue due from the Federal Aviation Administration (FAA) for a grant reimbursement program and from Riverside County for the cost-share related to the Seven Oaks Dam-Santa Ana River Project.

8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2008 is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Roads	\$ 1,973	
	Flood Control District	4,766	
	OC Parks	2,161	
	Other Public Protection	33,324	
	Other Governmental Funds	44,960	
	Internal Service Funds	716	
	Airport	1,611	
	Waste Management	1,780	\$ 91,291
Roads	General Fund	307	
	Flood Control District	1,040	
	OC Parks	149	
	Other Public Protection	14	
	Other Governmental Funds	78	
	Airport	7	
	Waste Management	1	1,596
Flood Control District	General Fund	409	
	Roads	679	
	OC Parks	179	
	Other Public Protection	2	
	Other Governmental Funds	334	
	Airport	6	
	Waste Management	7	1,616
OC Parks	General Fund	382	
	Roads	125	
	Flood Control District	114	
	Other Public Protection	13	
	Other Governmental Funds	13	647
Other Public Protection	General Fund	27	
	Roads	15	
	Flood Control District	3	
	OC Parks	8	
	Airport	1	54

8. INTERFUND RECEIVABLES AND PAYABLES (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>		
Other Governmental Funds	General Fund	\$ 13,987	
	Roads	1	
	OC Parks	1	
	Other Public Protection	4	
	Other Governmental Funds	4,159	
	Internal Service Funds	60	
	Airport	62	
	Waste Management	<u>1</u>	\$ 18,275
Airport	General Fund	<u>1,492</u>	1,492
Waste Management	General Fund	1	
	Roads	6	
	Flood Control District	46	
	OC Parks	<u>1</u>	54
Internal Service Funds	General Fund	5,429	
	Roads	3	
	Flood Control District	4	
	OC Parks	16	
	Other Public Protection	21	
	Other Governmental Funds	34	
	Internal Service Funds	14	
	Airport	35	
	Waste Management	<u>58</u>	<u>5,614</u>
	Total		<u>\$ 120,639</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	\$ 86
Primary Government – Internal Service Funds	Component Unit – Children & Families Commission of Orange County	\$ 2

The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided, (2) the recording of those transactions in the accounting system, and (3) payments between the funds were made.

8. INTERFUND RECEIVABLES AND PAYABLES (Continued)

Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General Fund	Other Governmental Funds	\$	2,496

The interfund loan represents an advance made to OC Public Library from General Fund for the OC Public Library Headquarter building.

9. 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, 2008, approximates \$21,278.

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, 2008 are as follows:

<u>Fiscal Year(s) Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$ 13,126	\$ 29,910
2010	13,134	23,809
2011	12,519	18,869
2012	11,733	2,787
2013	7,639	2,407
	<u>58,151</u>	<u>77,782</u>
2014-2018	37,888	6,796
2019-2023	40,815	6,700
2024-2028	44,044	--
2029-2033	46,367	--
2034-2038	49,354	--
2039-2043	11,512	--
2044-2048	464	--
	<u>230,444</u>	<u>13,496</u>
Total Future Minimum Rentals	<u>\$ 288,595</u>	<u>\$ 91,278</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$428 (Flood Control District), \$5,688 (OC Parks), \$26,818 (Airport), \$38 (Waste Management), and \$102 (Other Governmental Funds) for the year ended June 30, 2008.

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>			<u>Explanations</u>
<u>Governmental Funds</u>				
General Fund	Other Public Protection	\$ 4,035		
	Other Governmental Funds	105,526		
	Internal Service Funds	<u>2,873</u>	\$ 112,434	(a), (e)
Flood Control District	General Fund	<u>1,448</u>	1,448	(f)
OC Parks	Roads	<u>2,000</u>	2,000	(g)
Other Public Protection	General Fund	78,809		
	Other Governmental Funds	<u>1,995</u>	80,804	(b), (h)
Other Governmental Funds	General Fund	129,147		
	OC Parks	1,514		
	Other Governmental Funds	<u>18,327</u>	148,988	(c), (i)
Internal Service Funds	General Fund	<u>188</u>	<u>188</u>	
Total Governmental Funds			\$ <u><u>345,862</u></u>	
<u>Enterprise Funds</u>				
Waste Management	General Fund	13,788		
	OC Parks	<u>3,014</u>		
Total Enterprise Funds			\$ <u><u>16,802</u></u>	(d)

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 transfers are outlined below:

Routine Transfers

a. Transfer from General Fund

- A total of \$26,887 was transferred from the General Fund to Debt Service and Special Revenue Funds in connection with debt service payments for the various County debt issues.
- \$12,812 was transferred from the General Fund to Other Governmental Funds in order to distribute available cash to the remaining claimants of the bankruptcy loss as part of the Bankruptcy Recovery Plan.
- \$1,211 of reimbursed claimable costs was transferred from the General Fund to Other Governmental Funds to cover future lease payments for the Social Services Agency Santa Ana Regional Center.

10. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- \$9,811 was transferred from the General Fund to Other Governmental Funds to finance the County's 60% share of the Social Services Agency Wraparound Program.

- b. Transfer from Other Public Protection
 - \$24,482 was transferred from the Other Public Protection Fund to the General Fund for the annual transfer of Public Safety Sales Tax Revenue.
 - \$17,754 was transferred from the Other Public Protection Fund to the General Fund for various programs.
 - \$27,236 of Prop 172 Public Safety Sales Tax Revenue was transferred from the Other Public Protection Fund to the General Fund to establish a reserve for the Sheriff Department's and District Attorney's operations.

- c. Transfer from Other Governmental Funds
 - \$25,718 of Tobacco Settlement monies was transferred from Other Governmental Funds to the General Fund to finance various health care programs.
 - \$5,708 was transferred from Other Governmental Funds to reimburse the General Fund for emergency medical services.
 - \$39,113 was transferred from Other Governmental Funds to the General Fund for the reimbursement of various County programs as follows:
 - \$31,582 for Prop 63, Mental Health Services Act expenses
 - \$1,780 for Sheriff Department programs
 - \$5,751 for Social Services Agency Wraparound Program

- d. Transfer from Enterprise Funds
 - \$13,788 in net proceeds and interest earnings from the Importation of Out-of-County Waste Program earned by OC Waste and Recycling during the current fiscal year was transferred to the General Fund for Recovery COPs Lease Financing as part of the Bankruptcy Recovery Plan.

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

- e. Transfer from General Fund
 - \$1,061 was transferred from the General Fund to Other Public Protection Fund for reimbursement of costs associated with the Dana Point Water Tank Site, Laguna Beach Remote Tower, and the Coastal Solution Projects.
 - \$2,500 was transferred from the General Fund to Other Governmental Funds to reimburse a transfer made in July 2007 to purchase the Teeter Program receivables.
 - \$1,417 was transferred from the General Fund to the Internal Service Funds (ISF) to reimburse the ISF for the Trial Courts' health care benefits.
 - \$1,539 was transferred from the General Fund to the Other Public Protection Fund for the reimbursement of eligible costs for the Youthful Offender Block Grant's administration and program.

- f. Transfer from Flood Control District
 - \$1,448 was transferred from the Flood Control District Fund to the General Fund for the Watershed Management Program.

- g. Transfer from OC Parks
 - \$2,000 was transferred from the OC Parks Fund to the Road Fund for the Edinger Bridge maintenance and construction costs.

10. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

- h. Transfer from Other Public Protection
 - \$1,013 was transferred from the Other Public Protection Fund to Other Governmental Funds to support the Sheriff Department's jail construction projects.
 - \$1,005 was transferred from the Other Public Protection Fund to the General Fund to reimburse the District Attorney for consumer protection related costs.

- i. Transfer from Other Governmental Funds
 - \$6,500 was transferred to Other Governmental Funds to support the Social Services Agency's construction of the Tustin Family Campus Facility.
 - \$6,735 was transferred from Other Governmental Funds to the General Fund for capital acquisition and construction of the Cogeneration Plant at the Central Utilization Facility.
 - \$3,344 was transferred from Other Governmental Funds to the General Fund for partial reimbursement of costs associated with the Library building.

11. SHORT-TERM OBLIGATIONS

Revenue Bonds Payable

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 accreted interest was \$4,806. 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, a maturity date of June 30, 2008, and an optional put feature, which allows the Treasurer upon ninety days notice to liquidate the investment on February 28, 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. The County paid the bonds on June 30, 2008.

Description	Balance July 1, 2007	Issuances and Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2008	Amounts Due within One Year
<u>County of Orange</u>						
<u>Taxable Pension Obligation</u>						
<u>Bonds - Series 2007</u>						
Date Issued: January 29, 2007						
Interest Rate: 5.38%						
Original Amount: \$211,065						
Maturing in Installments Through						
June 30, 2008	\$ 215,871	\$ --	\$ --	\$ (215,871)	\$ --	\$ --
Total	\$ 215,871	\$ --	\$ --	\$ (215,871)	\$ --	\$ --

12. 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, 2008, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$5,158,372. 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, 2008, the outstanding principal amount, including the premium of the 2005 Recovery Bonds, was \$115,467.

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), were 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, 2008, the outstanding principal amount, including the premium of the Series 2005 Bonds, and interest were \$345,932 and \$60,879, respectively.

The Series 2005 Bonds are limited obligations of the OCPFA payable through July 2017, and are 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. For FY 2007-08, principal and interest paid and total revenues were \$61,668 and \$77,308, respectively.

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), which are payable through December 2018. At June 30, 2008, the outstanding principal amount and interest of the Refunding COPs were \$6,306 and \$22,331, respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation. For FY 2007-08, principal and interest paid and total revenues were \$2,600 and \$2,789, respectively.

12. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Tax Allocation Refunding Bonds, Series 2001 (Neighborhood Development and Preservation Project)

In July 2001, OCDA issued its \$26,160 Tax Allocation Refunding Bonds (Neighborhood Development and Preservation Project) Series 2001 (NDAPP Refunding Bonds). A substantial portion of the NDAPP Refunding Bonds proceeds and certain other monies were used to defease \$26,140 of the \$27,072 outstanding NDAPP Series A 1992 Tax Allocation Revenue Bonds. The NDAPP Refunding Bonds, payable through September 2022, are secured by a pledge of tax increment revenues allocated and paid to OCDA attributable to the Neighborhood Development and Preservation Project Area. As of June 30, 2008, the outstanding principal amount including premium of the Series 2001 Bonds and interest on the NDAPP Refunding Bonds were \$22,774 and \$9,405, respectively. For FY 2007-08, principal and interest paid and total revenues were \$2,172 and \$20,948, respectively.

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, payable through June 2019, 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, 2008, the outstanding principal amount, including the premium of the Series 2002 bonds, and interest were \$60,876 and \$19,620, respectively.

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. For FY 2007-08, principal and interest paid and total revenues were \$7,086 and \$77,308, respectively.

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, payable through June 2018, 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, 2008, the outstanding principal amount, including the premium of the Series 2006 Bonds, and interest were \$34,840 and \$9,307, respectively.

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 to be made by the County pursuant to, and as defined in, the Lease. For FY 2007-08, interest paid and total revenues were \$1,521 and \$77,308, respectively.

Tax Allocation Refunding 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, payable through September 2023, 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, 2008, the outstanding principal amount including premium of the Series 2003 Bonds and interest of the SAHP were \$34,217 and \$14,425, respectively. For FY 2007-08, principal and interest paid and total revenues were \$2,973 and \$11,159, respectively.

12. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Taxable Refunding 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, 2008, the outstanding principal amount of the Series 1996A and 1997A Pension Bonds were \$37,556 and \$35,172, 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, 2008 was \$123,725.

Refer to Note 21, Subsequent Events for information on the refunding of the Teeter Plan Revenue Bonds.

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, 2008, the outstanding principal amount and interest for the Lease Revenue Bonds, payable through December 2008, were \$1,654 and \$33, respectively.

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. The base rental payments must be sufficient to pay the principal of and interest on the bonds when due and payable. For FY 2007-08, principal and interest paid and total net revenues were \$1,688 and \$77,308, respectively.

12. 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 and interest for 1997 and 2003 Bonds as of June 30, 2008 were \$95,570 and \$18,852, respectively.

The Airport Revenue Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, and (3) other miscellaneous revenue. The 1997 and 2003 Bonds are payable through July 2012 and July 2018, respectively. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate debt service requirement over the life of the bonds. For FY 2007-08, principal and interest paid and total net revenues were \$18,045 and \$54,931, respectively.

Waste Management System Refunding Revenue Bonds, Series 1997

In November 1997, the OCPFA issued in the principal amount of \$77,300 Waste Management System Refunding Revenue Bonds, Series 1997, in order to refund the County of Orange, California, 1988 COPs. The Waste Management System Bonds are secured by a pledge of (1) the net operating revenues; (2) all money, securities and funds in the Waste Management Enterprise Fund that are required to be held or set aside therein for any purpose other than the payment of operating expenses pursuant to the terms of the sublease, but excluding any such money, securities and funds in the (i) closure account or any other fund or account required pursuant to state or federal law to be held in trust, (ii) environmental account in an amount not exceeding \$50,000, (iii) post-closure reserve account, or (iv) that were borrowed or received to pay capital costs and excluding any deposits or net incremental solid waste system revenues or any deposits that are required to be made in the rebate account; and (3) to the extent permitted by and in accordance with the procedures established under any applicable law, any rights of the County under any approvals, licenses and permits relating to the System. The bonds are payable through December 2013. The outstanding principal amount and interest on these bonds as of June 30, 2008 were \$37,154 and \$6,354, respectively. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 120% of the aggregate debt service requirement over the life of the bonds. For FY 2007-08, principal and interest paid and the total net revenues were \$7,206 and \$20,773, respectively.

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, 2008, \$93,395 of legally defeased debt remains outstanding.

12. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2007-08

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2008 were as follows:

Description	Balance July 1, 2007	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2008	Amounts Due within One Year
<u>Governmental Funds:</u>					
<u>County of Orange</u>					
<u>Refunding Recovery Bonds - 2005 Series A:</u>					
Date Issued: August 18, 2005 to Refund and Debase 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.					
	\$ 128,352	\$ (200)	\$ (12,685)	\$ 115,467	\$ 14,011
Deferred Amount on Refunding	(8,333)	1,041	--	(7,292)	(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 Debase 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.					
	392,657	(620)	(46,105)	345,932	48,493
Deferred Amount on Refunding	(22,357)	2,128	--	(20,229)	(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.					
	7,165	--	(859)	6,306	804
<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.					
	23,831	(17)	(1,040)	22,774	1,095
Deferred Amount on Refunding	(877)	55	--	(822)	(55)

12. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2007-08 (Continued)

Description	Balance July 1, 2007	Issuances and Discount/ Premium Amortization	Retirements	Balance June 30, 2008	Amounts Due within One Year
<u>Orange County Public Financing Authority</u>					
<u>Juvenile Justice Center Facility Lease Revenue</u>					
<u>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.	64,856	5	(3,985)	60,876	4,303
Deferred Amount on Refunding	(2,624)	219	--	(2,405)	(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	2,715
<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.	\$ 35,679	\$ (52)	\$ (1,410)	\$ 34,217	\$ 1,496
Deferred Amount on Refunding	(1,511)	92	--	(1,419)	(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).	49,556	--	(12,000)	37,556	575

12. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2007-08 (Continued)

<u>Description</u>	<u>Balance July 1, 2007</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due within One Year</u>
<u>County of Orange</u>					
<u>Taxable Refunding Pension</u>					
<u>Obligation Bonds - Series 1997 A:</u>					
Date Issued: January 1, 1997 - Current Interest					
Rate Bonds (CIB)					
Date Issued: January 14, 1997 - Capital					
Appreciation Bonds (CAB)					
To Refund a Substantial Portion of the					
September 1, 1994 Bond Issue.					
Interest Rate: CIB - 5.71% to 7.36%					
Interest Rate: CAB - 7.33% to 7.96%					
Original Amount: CIB - \$71,605					
Original Amount: CAB - \$65,318					
Maturing in Installments Through September 1,					
2010 (CIB) and September 1, 2021 (CAB).					
	40,335	--	(5,163)	35,172	2,442
<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.					
	3,244	--	(1,590)	1,654	1,654
Subtotal - Governmental Funds	<u>\$ 868,538</u>	<u>\$ 2,651</u>	<u>\$ (84,837)</u>	<u>\$ 786,352</u>	<u>\$ 74,051</u>

12. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2007-08 (Continued)

<u>Description</u>	<u>Balance July 1, 2007</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due within One Year</u>
<u>Enterprise Funds:</u>					
<u>Airport Revenue Refunding Bonds -</u>					
<u>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					
	\$ 64,890	\$ 11	\$ (10,135)	\$ 54,766	\$ 10,699
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(529)	39	--	(490)	(169)
<u>Airport Revenue Refunding Bonds -</u>					
<u>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.					
	43,870	(436)	(2,630)	40,804	3,126
Deferred Amount on Refunding (2003 Airport Revenue Bonds)	(6,306)	1,123	--	(5,183)	(1,008)
<u>Orange County Public Financing Authority</u>					
<u>Waste Management System Refunding</u>					
<u>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.					
	42,325	(141)	(5,030)	37,154	5,429
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)	(1,444)	467	--	(977)	(396)
Subtotal - Enterprise Funds	142,806	1,063	(17,795)	126,074	17,681
Total	\$ 1,011,344	\$ 3,714	\$ (102,632)	\$ 912,426	\$ 91,732

12. 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>	
2009	\$ 75,726	\$ 46,904	\$ 18,790	\$ 6,458	\$ 147,878
2010	84,124	44,038	19,810	5,417	153,389
2011	81,510	44,597	20,895	4,306	151,308
2012	87,439	49,873	22,050	3,124	162,486
2013	56,223	54,571	18,300	2,026	131,120
2014-2018	359,747	169,483	26,265	3,763	559,258
2019-2023	36,371	46,290	4,440	111	87,212
2024-2028	2,855	69	--	--	2,924
Total	783,995	455,825	130,550	25,205	1,395,575
Add: Premium	34,524	--	2,174	--	36,698
Less: Deferred Amount on Refunding	(32,167)	--	(6,650)	--	(38,817)
Principal Payable, Net	\$ 786,352	\$ 455,825	\$ 126,074	\$ 25,205	\$ 1,393,456

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2008 were as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds and COPs Payable:					
Revenue Bonds	\$ 652,340	\$ --	\$ (54,130)	\$ 598,210	\$ 58,759
Certificates of Participation	7,165	--	(859)	6,306	804
Pension Obligation Bonds	89,891	--	(17,163)	72,728	3,017
Recovery Bonds	119,436	--	(12,685)	106,751	13,145
Add: Premium on Bonds Payable	35,408	--	(884)	34,524	1,863
Less: Deferred Amount on Refunding	(35,702)	--	3,535	(32,167)	(3,537)
Total Bonds & COPs Payable, Net	868,538	--	(82,186)	786,352	74,051
Interest Accretion on Capital Appreciation Bonds Payable	110,564	13,565	--	124,129	--
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	148,739	127,338	(115,823)	160,254	91,101
Arbitrage Rebate Payable	15	637	--	652	30
Capital Lease Obligations Payable	93,533	2,400	(5,164)	90,769	5,817
Insurance Claims Payable	147,610	88,192	(88,986)	146,816	47,285
Net Pension Obligation	668	217	(225)	660	--
Total Other Long-Term Liabilities	390,565	218,784	(210,198)	399,151	144,233
Total Governmental Activities Long-term Liabilities	\$ 1,369,667	\$ 232,349	\$ (292,384)	\$ 1,309,632	\$ 218,284

12. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 148,345	\$ --	\$ (17,795)	\$ 130,550	\$ 18,790
Add: Premium on Bonds Payable	2,740	--	(566)	2,174	464
Less: Deferred Amount on Refunding	(8,279)	--	1,629	(6,650)	(1,573)
Total Revenue Bonds Payable, Net	<u>142,806</u>	<u>--</u>	<u>(16,732)</u>	<u>126,074</u>	<u>17,681</u>
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	4,431	2,131	(2,753)	3,809	2,300
Arbitrage Rebate Payable	279	74	(317)	36	--
Landfill Site Closure/Postclosure Liabilities	182,365	9,876	(1,037)	191,204	1,037
Total Other Long-Term Liabilities	<u>187,075</u>	<u>12,081</u>	<u>(4,107)</u>	<u>195,049</u>	<u>3,337</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 329,881</u>	<u>\$ 12,081</u>	<u>\$ (20,839)</u>	<u>\$ 321,123</u>	<u>\$ 21,018</u>

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2008 is \$160,254 compared with \$148,739 at June 30, 2007. 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 reflected in Agency Departmental Funds.

12. LONG-TERM OBLIGATIONS (Continued)

Special Assessment District Bonds (Continued)

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, 2008, amounted to \$713,084.

13. CONDUIT DEBT OBLIGATIONS

From 1980 through 2008, the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single-family homes and the construction of multi-family units to benefit low and moderate income families.

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

The bonds do not constitute an indebtedness or liability of the County and neither the County, the State of California nor any political subdivisions thereof 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, 2008, there were 63 series of bonds outstanding, with an aggregate principal amount payable of \$696,985.

14. 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>
2009	\$ 77,576	\$ 29,737	\$ 107,313
2010	75,623	26,855	102,478
2011	53,981	23,714	77,695
2012	40,016	16,399	56,415
2013	1,568	13,934	15,502
2014 - 2018	--	40,829	40,829
2019 - 2023	--	70	70
Total	<u>\$ 248,764</u>	<u>\$ 151,538</u>	<u>\$ 400,302</u>

Total rent expenditures for operating leases incurred for FY 2007-08 was \$53,186.

Capital Leases

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

Land	\$ 24,378
Equipment	2,669
Less: Accumulated Depreciation	(2,669)
Structures & Improvements	103,807
Less: Accumulated Depreciation	(24,015)
Total	<u>\$ 104,170</u>

14. LEASES (Continued)

Capital Leases (Continued)

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30</u>		
2009	\$	12,759
2010		11,302
2011		10,238
2012		10,089
2013		9,676
2014-2018		45,688
2019-2023		41,970
2024-2027		12,996
Total Minimum Lease Payments		154,718
Less: Amount Representing Interest		(63,949)
Present Value of Net Minimum Lease Payments	\$	90,769

15. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require Orange County Waste & Recycling (OCWR) 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, OCWR 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.

OCWR 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 – Ceased accepting waste in 1996, final closure certification in 2005)
- Coyote Canyon (Newport Beach – Ceased accepting waste in 1990, final closure certification in 1995)

All active waste disposal sites, (FRB, Olinda Alpha and Prima Deshecha), are owned by OCWR. 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, valued at \$3,950. This action was approved by the Board of Supervisors on November 21, 2006.

In compliance with the California Integrated Waste Management Board's regulations, OCWR makes annual cash contributions to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the state mandated formula. Also in compliance with regulations, OCWR has executed pledge of revenue agreements to provide financial assurance for estimated future landfill postclosure costs. The agreements state that OCWR pledges revenue from future gate fees deposited to pay for estimated postclosure maintenance. OCWR has proactively pre-funded this cost based on the state mandated formula that computes landfill capacity as a percentage of the total landfill capacity times the total estimated cost for postclosure maintenance. The estimated costs for future closure and postclosure maintenance are annually

15. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

adjusted for inflation, based on state provided inflation factors. The state mandated formula under which contributions to both closure and postclosure funds are calculated would provide for the accumulation of sufficient cash to cover all estimated costs when each landfill site reaches maximum capacity. If additional costs for closure or postclosure maintenance are determined due to changes in technology or higher regulatory requirements these costs may need to be covered by increasing the amount charged to landfill customers.

The total landfill closure and postclosure care liability at June 30, 2008 was \$191,204. The total liability represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date (45.59%), less actual costs disbursed related to both closure and postclosure of the Santiago and Coyote Canyon landfills. OCWR will recognize the remaining estimated cost of closure and postclosure care of \$155,278 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 07-08 dollars. OCWR has enough landfill capacity to operate the system for the next twenty-five years; however, OCWR intends to operate the landfills well beyond this period through planned expansions.

As of June 30, 2008, a total of \$115,040 has been set aside for estimated closure and postclosure costs and is included in the accompanying Proprietary Fund's Statement of Net Assets as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs.

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. OCWR has completed preliminary environmental site assessments for the former refuse disposal stations. On the basis of information currently available to management, OCWR management believes it has sufficient reserves for known and anticipated remediation costs.

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2008, 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	
Cogeneration Plant at Central Utility Facility	\$ 22,132
Central Justice Center - Phase II - HVAC/ADA	8,860
Poche Beach Ultraviolet Phase II	1,756
Juvenile Hall - Replace Existing Perimeter Fence	1,437
	<u>34,185</u>
Roads	
Irvine Avenue, University to South-East Bristol	5,664
Foothill Circulation Phasing Plan - Alton-Irvine Boulevard to Foothill Transportation Corridor	1,487
	<u>7,151</u>

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Project Title	Remaining Commitments
Governmental Activities (Continued):	
Flood Control District	
Los Alamitos Pump Station New Pump and Pump House	19,948
San Juan Creek Channel	11,725
Acquisition of Parcel 40-048, 40-050	1,225
	32,898
Other Public Protection	
800 MHz Countywide Coordinated Communication System	2,889
	2,889
Other Governmental Funds	
Tustin Family Campus	13,668
Vehicles for Transportation Internal Service Fund	2,833
Bristol Street Sewer Improvement Project	2,733
Musick Jail Facility Master Plan	2,208
	21,442
Business-Type Activities:	
Airport	
Terminal Building Gate Expansion	15,076
New South Remain Over Night Airplane Parking	9,757
Deconstruction of B1 Parking Structure	6,658
Design of New Parking Structure C	2,397
	33,888
Waste Management	
Temporary Landslide Backcut Excavation	11,614
Construction Management and Quality Assurance Services	2,244
Prima Geotechnical Investigation	2,100
Environmental Services - Phase 8 Forward	1,330
	17,288
Total Commitments	\$ 149,741

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.

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

As of June 30, 2008, the OCFCD expended \$361,722 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 COE's 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 increased from the initial estimate of \$206,000 to \$301,400. The Water Resources Development Act of 2007 included provisions adding the Santa Ana Regional Interceptor Line relocation as a part of the SAR and increased the maximum authorized cost of the project to \$1,800,000.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) is complete. Construction to raise the Prado Dam embankments and install new outlet gates 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. The COE expects to complete construction of National Housing Tract Dike and Treatment Plant Dike in 2008. 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, 2008 the OCFCD has submitted \$221,578 in claims, and received \$172,864 in reimbursements. An additional \$31,627 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, 2008 of about \$80,341. Of this amount, \$24,700 was appropriated by the State for FY 2008-09, and therefore 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.

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.

17. 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.

17. SELF-INSURANCE (Continued)

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 exceed the self-insurance threshold. Accordingly, no claims or settlements have been paid under the excess insurance policy.

Independent actuarial studies are prepared 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 3.97% 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 has established the Unemployment Insurance ISF, which covers all employees and pays through the State of California the standard unemployment benefits, the County self-insured PPO Health Plans ISF, which provides health plan benefits, and the Health and Other Self-Insured Benefits ISFs, which provides dental and salary continuance benefits for a portion of its employees.

The County's PPO Plans have a lifetime coverage maximum of \$3,000 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.

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

	Workers' Compensation	Property & Casualty Risk	Unemployment/ Health & Other Insurance	Total
Unpaid Claims, Beginning of FY 2006-07	\$ 105,120	\$ 24,184	\$ 10,345	\$ 139,649
Claims and Changes in Estimates	22,292	17,049	49,202	88,543
Claim Payments	(22,582)	(6,934)	(51,066)	(80,582)
Unpaid Claims, End of FY 2006-07	\$ 104,830	\$ 34,299	\$ 8,481	\$ 147,610
Claims and Changes in Estimates	30,080	--	58,112	88,192
Claim Payments	(24,052)	(8,393)	(56,541)	(88,986)
Unpaid Claims, End of FY 2007-08	<u>\$ 110,858</u>	<u>\$ 25,906</u>	<u>\$ 10,052</u>	<u>\$ 146,816</u>

18. 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 a 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 17, 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. OC Waste & Recycling (OCWR) 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. OCWR has completed preliminary environmental site assessments for the former solid waste disposal sites. On the basis of information currently available to management, OCWR 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 costs could be substantial. 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 – Settlement agreement approved and liability has been accrued in the financial statements
- *San Joaquin Refuse Disposal Station #13*, University of California, Irvine – Actively negotiating resolution
- *La Veta Refuse Disposal Station #2*, City of Orange – Actively negotiating resolution

Potential Fire Station Claims Certain fire stations previously owned by the County were transferred to the Orange County Fire Authority (OCFA) in connection with the 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 requested reimbursement from the County for expenses incurred for remediating contamination from motor vehicle fuels that leaked from underground storage tank systems at nine fire stations. Of the amount requested, the County has reimbursed the OCFA \$1,361 and \$292 is outstanding.

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

Potential Fire Station Claims (Continued)

The County intends to reimburse the OCFA \$115 of this outstanding amount. The OCFA is currently seeking reimbursement from the State for the remaining balance of \$177. It is estimated that it may take years before the State will finish processing the OCFA's reimbursement claim. The County intends to reimburse the OCFA the remaining balance if the State denies the OCFA's reimbursement claim.

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. Refer to Note 20 for details on the Retiree Medical Plan.

On November 5, 2007, the Retired Employee's Association of Orange County (REAOC) filed a Complaint for Declaratory and Injunctive Relief filed in Federal District Court contesting the splitting of the pool for purposes of determining health insurance premiums. The County was served with the Complaint on November 21, 2007.

On December 7, 2007, the County filed a Motion to Dismiss alleging various deficiencies in the Complaint. After oral argument on January 14, 2008, the Court took the matter under submission and on February 12, 2008, issued its ruling denying the County's motion as to the Plaintiff's first six claims and granting the motion as to the seventh. The types of claims that survived were: Breach of Contract, Promissory Estoppel, Violation of Due Process and Impairment of Contract. The Plaintiff's seventh Claim for Violation of the California Pension Protection Act was dismissed without leave to amend.

After lengthy discovery which included the production of tens of thousands of pages of documents and many depositions; the County and REAOC filed, on November 20, 2008, cross motions for summary judgment. Oral argument is scheduled for December 22, 2008. It is possible that the Court could resolve the case by deciding on these motions.

It is difficult to predict the County's potential liability at this time; however, should the Plaintiffs succeed in their overall efforts, this lawsuit could have a significant financial impact on the County.

19. 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"). 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.

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Plan Description (Continued)

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, 2007, entities paying into the OCERS, also known as plan sponsors, include the County of Orange, City of San Juan Capistrano, Orange County Cemetery District, Orange County Children and Families Commission, Orange County Department of Education (closed to new members), OCERS, Orange County Fire Authority (OCFA), Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission, Orange County Public Law Library, Orange County Sanitation District, Orange County Superior Court, Orange County Transportation Authority (OCTA), Transportation Corridor Agencies, University of California, Irvine Medical Center and Campus (closed to new members). The County payments represent approximately 74% 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.

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 2007-08, employer's contributions, as a percentage of covered payrolls, were 22.56% for General members, 37.33% for Safety-Law Enforcement members and 31.94% for Safety-Probation members.

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Funding Policy (Continued)

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 14,000) 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 1,179 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.

Actuarial Valuation and Funding Methodology: OCERS is funded pursuant to the Entry Age Normal funding method. The annual required contribution for the current year was determined as part of an actuarial valuation performed by Segal Company as of December 31, 2007. 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 separate 15-year periods, (iv) increases or decreases due to assumption changes are amortized over separate 30-year periods (v) all amortizations conducted on a level percent of pay basis and (vi) a 3.5% inflation assumption. According to the 2007 Valuation, the aggregate employer contribution rate is 25.44% of payroll beginning July 1, 2009. The aggregate Member employee rate, some of which are contributed by the County under existing bargaining agreements, is 10.78% of payroll.

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, 2008, \$163,111 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. 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 2007 notes matured on June 30, 2008. See Note 11, Short-Term Obligations for additional information.

19. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Actuarial Valuation and Funding Methodology (Continued)

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

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

Year Ended	County Contribution	OCERS Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
6/30/2006	\$ 201,251	\$ 11,596	\$ 212,847	100%
6/30/2007	223,505	11,000	234,505	100%
6/30/2008	253,620	11,000	264,620	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, Elected Officials which included members of the Board of Supervisors, certain executive managers, certain administrative managers once classified as confidential and grandfathered in the Plan, 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, 2008, the plan has 745 active participants and 24 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 8% 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, 2008 were \$1,012 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, 2008, the value of plan assets was \$7,035.

Extra-Help Employees Defined Benefits Retirement Plan

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.

19. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Employees Defined Benefit Retirement Plan (Continued)

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, 2008, the plan consists of 121 active plan participants, 244 terminated plan participants entitled to but not yet receiving benefits, and 27 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 5. 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 \$1,195. The annual required contribution is equal to:

- Normal cost
- Minus employer and employee contribution
- Plus 30-year amortization of the Unfunded Actuarial Accrued Liability (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, 2008. The actuarial assets are valued at market value. 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, 2008, interest on the net pension obligation is \$43.

For the fiscal year ended June 30, 2008, the County's annual required contribution was \$225. The required contribution was determined as part of the July 2007 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)

19. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Employees Defined Benefit Retirement Plan (Continued)

Annual Pension Cost (Continued)

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. Multiyear trend information about the funding progress is presented in the Required Supplemental Information following the notes to the basic financial statements.

**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)
6/30/2008	5,242	7,599	2,357	69.0%	3,445	68.4%

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

	06/30/06	06/30/07	06/30/08
Annual Required Contribution	\$ 270	\$ 285	\$ 225
Interest on Net pension Obligation	42	49	43
Adjustment to Annual Required Contribution	(52)	(58)	(51)
Annual Pension Cost	260	276	217
Contributions Made	(270)	(358)	(225)
Increase/Decrease in Net Pension Obligation	(10)	(82)	(8)
Net Pension Obligation, Beginning of Year	760	750	668
Net Pension Obligation, End of Year	\$ 750	\$ 668	\$ 660

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 Defined Benefit Retirement Plan
 County Contributions**

Year Ended	County Contribution	Total Annual Required Contribution	Percentage Contributed
6/30/2006	\$ 270	\$ 270	100%
6/30/2007	358	285	126%
6/30/2008	225	225	100%

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

19. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Contribution Plan (Continued)

Plan Description (Continued)

employees of this plan are not covered by OCERS. As of June 30, 2008, there were 2,594 active participants and 247 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, 2008 were \$929 by the employees and zero by the County.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to the participants. The investment management fee charged by GWFS Equities, Inc. for the Stable Value Fund is deducted from the interest earnings each quarter as a percentage of the interest rate credited.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered pension trust funds, condensed financial statements are presented below as of and for the year ended June 30, 2008:

<u>Statements of Net Assets</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>
Pooled Cash/Investments	\$ 4,985	\$ 4,985	\$ --	\$ --
Restricted Cash and Investments with Trustee	10,236	--	3,201	7,035
Receivables:				
Interest/Dividends	19	19	--	--
Due from Other Governmental Agencies				
Payables:	894	894	--	--
Due to Other Governmental Agencies	(10)	(10)		
Total Net Assets Held in Trust	<u>\$ 16,124</u>	<u>\$ 5,888</u>	<u>\$ 3,201</u>	<u>\$ 7,035</u>

19. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Contribution Plan (Continued)

Condensed Financial Statements (Continued)

Statements of Changes in Net Assets	Total	Extra-Help Defined Benefit Retirement Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
Additions:				
Contributions to Pension Trust:				
Employer	\$ 1,237	\$ 225	\$ --	\$ 1,012
Employee	1,184	255	929	--
Interest and Investment Income	298	212	121	(35)
Less: Investment Expense	(5)	(5)	--	--
Total Additions	<u>2,714</u>	<u>687</u>	<u>1,050</u>	<u>977</u>
Deductions:				
Benefits Paid to Participants	466	79	241	146
Refunds of Prior Contributions	437	437	--	--
Total Deductions	<u>903</u>	<u>516</u>	<u>241</u>	<u>146</u>
Change in Net Assets Held in Trust for				
Employee's Retirement	1,811	171	809	831
Net Assets Held in Trust at July 1, 2007	<u>14,313</u>	<u>5,717</u>	<u>2,392</u>	<u>6,204</u>
Net Assets Held in Trust at June 30, 2008	<u>\$ 16,124</u>	<u>\$ 5,888</u>	<u>\$ 3,201</u>	<u>\$ 7,035</u>

20. POSTEMPLOYMENT HEALTH CARE BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Second Amended Retiree Medical Plan (the Retiree Medical Plan) is a single employer defined benefit Other Post Employment Benefit (OPEB) plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan is not required by the County Employees Retirement Law of 1937 ("CERL") – the statute governing County employee retirement benefits. Eligible retired County employees receive a monthly grant (the Grant), which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The Retiree Medical Plan specifically states that it does not create any vested right to the benefits.

In order to be eligible to receive the Grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Retiree Medical Plan and be able to receive a monthly benefit payment from the Orange County Employees Retirement System (OCERS). To qualify as a retiree as defined by the Retiree Medical Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

The monthly Grant amount is determined by a formula that 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 was \$16.67 (absolute dollars) per year of County service, and the maximum monthly Grant was \$416.75 (absolute dollars). The base number for calendar year 2008 is \$17.17 (absolute dollars) per year of County service, and

20. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

the maximum monthly Grant is \$429.25 (absolute dollars). 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.

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 or Medicare A and B eligible on the effective date are not subject to the Medicare reduction. The Grant is also 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 effective date. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment.

The base number for the Grant is adjusted annually based on a formula defined in the Retiree Medical Plan document with a maximum increase/decrease of 3%. 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 Retiree Medical Plan provides a frozen lump sum payment to terminated employees not eligible for the Grant. The qualifying hours of service for calculation of the lump sum payment is frozen and the effective date varies by labor agreement. The frozen lump sum payment is equal to 1% of the employee's final average hourly pay (as defined in the plan) multiplied by the employee's qualifying hours of service (as defined) since the Retiree Medical Plan's effective date.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees except for employees represented by the Association of Orange County Deputy Sheriffs (AOCDS). Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans will be 10% higher than active employees.

Funding Policy: The County implemented an employer contribution in an amount equal to the Annual Required Contribution (ARC) for the affected labor groups except AOCDS. In order to more adequately fund benefits under the 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 Retiree Medical Plan (except for the lump sum payment).

The County is currently setting aside contributions of 1% for American Federation of State, County, and Municipal Employees (AFSCME), 7.4% for AOCDS and 3.5% of payroll for all of the other labor groups, which is the estimated ARC for those groups. The County intends to contribute the full ARC each year, assuming the Retiree Medical Plan remains in effect and as currently structured. Funds were initially deposited into the Trust in December 2007 with subsequent deposits made through fiscal year end. The County Board of Supervisors has appointed the County Chief Financial Officer as the trustee for the Trust. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions: In preparation for the GASB Statement No. 43 and Statement No. 45 requirements, the County contracted with an outside actuarial consultant, Bartel Associates, LLC (Bartel) to prepare an actuarial valuation in conformance with the new GASB statements. In December 2008, the County received a June 30, 2007 Valuation for fiscal years 2007-08 and 2008-09 for the Retiree Medical Plan (the Report). Among the actuarial methods and assumptions used in the Report are:

20. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Actuarial Methods and Assumptions (Continued)

- The entry age normal actuarial cost method
- Amortizing the UAAL over 30 years as a level percentage of payroll
- A 7.75% long-term expected rate of return on funds held in the Trust
- A 3.5% per annum payroll increase assumption
- The assumed annual increases in the monthly grant of 3% for non-AFSCME employees and 5% for AFSCME employees through calendar year 2016. The healthcare trend was assumed to be greater than the annual increase to the Grant through 2016. Therefore, it is the Grant annual increase rather than the healthcare trend that affects the projected benefits and the UAAL. For 2017 +, a healthcare trend of 4.5% was used for AFSCME employees since the trend is lower than the 5% annual adjustment. For non-AFSCME employees, an annual 3% increase is used for the entire 30 year amortization period.
- There are an estimated 25,258 participants in the plan of which 18,362 are employees, 18 are deferred retirees, and 6,878 are retirees.

Annual OPEB Cost and Net OPEB Obligation/Asset: The County's annual OPEB cost is calculated based on the ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of time not to exceed thirty years. Also the County elected to compute the Net OPEB Obligation (NOO) at transition retroactively. Refer to Note 2, Changes in Accounting Principles, for further discussion. The following table shows the components of the County's annual OPEB cost for FY 2007-08, the amount actually contributed to the Trust, and changes in the County's net OPEB obligation:

	<u>2007-08</u>
Annual Required Contribution	\$ 30,654
Interest on Net OPEB Obligation	2,420
Amortization on Net OPEB Obligation	<u>(1,893)</u>
Annual OPEB Cost	31,181
Contribution made	<u>(108,853)</u>
Increase/Decrease in Net OPEB Obligation	(77,672)
Net OPEB Obligation, Beginning of year	<u>31,230</u>
Net OPEB Obligation/(Asset), End of year	<u>\$ (46,442)</u>

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2008 is as follows:

Actuarial Accrued Liability (AAL)	\$ 423,025
Actuarial Value of Plan Assets	<u>(79,717)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 343,308</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	18.8%
Covered Payroll	<u>1,157,642</u>
UAAL as Percentage of Covered Payroll	<u>29.6%</u>

The above noted actuarial accrued liability was projected at June 30, 2008, based on the June 30, 2007 actuarial valuation. The actuarial valuations contained in the Report involve estimates of the values of reported amounts and assumptions about the probability of events far into the future and will be subject to continual revision as they reflect a long-term perspective. Assumptions used in the Report also include techniques designed to reduce short-term volatility in AAL and the actuarial value of assets. Trend information

20. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Funded Status and Funding Progress (Continued)

about the funding progress and the employer contributions is presented in the Required Supplemental Information following the notes to the basic financial statements.

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the County Board of Supervisors approved and adopted a Memorandum of Understanding (MOU) agreement with the Association of Orange County Deputy Sheriffs (AOCDS). The MOU restructured the Retiree Medical Plan and established a Defined Contribution Plan (Health Reimbursement Arrangement) to replace the Retiree Medical Plan for new employees, and to supplement the frozen service hour accruals for Grants for current employees.

On June 17, 2008, the County Board of Supervisors approved the County of Orange Health Reimbursement Arrangement Plan (HRA) with an effective date of October 12, 2007. The HRA Plan is not required by California Public Employees' Retirement Law (CERL). The plan is intended for funding the reimbursement accounts of eligible employees on a pre-tax basis and reimbursing the eligible unreimbursed and substantiated Qualified Medical Expenses of retired participants.

The plan is intended to comply with the requirements of sections 105 and 106 of the Code, and meets the requirements of a health reimbursement arrangement as defined under Internal Revenue Service (IRS) Notice 2002-45. The contributions made to reimbursement accounts, any investment gains and qualified medical expenses reimbursed under this plan are intended to be eligible for exclusion from the gross income of eligible employees, participants and retired participants (including the spouses and dependents of each) under Code §105(b). The Plan may be amended by the Employer or the Plan Administrator to comply with federal, state, or local laws, statues, regulations, or guidelines. As of June 30, 2008, there were 1,901 participants in the plan.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007. All contributions to the plan are deemed to be employer contributions whether made directly by the employer or as a mandatory contribution pursuant to a Memorandum of Understanding. The County contributes 2.0% of compensation each pay period. Employees in the plan are required to contribute 2.0% of compensation each pay period. The contributions are maintained in a County trust fund. Total contributions for the year ended June 30, 2008 were \$4,513.

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered postemployment health care benefit trust funds condensed financial statements are presented below as of and for the year ended June 30, 2008:

Statements of Net Assets

	<u>Total</u>	<u>Retiree Medical Plan</u>	<u>Health Reimbursement Arrangement Plan</u>
Pooled Cash/Investments	\$ 5,971	\$ 1,604	\$ 4,367
Restricted Cash and Investments with Trustee	76,741	76,741	--
Interest Receivable	65	52	13
Due from Other Governmental Agencies	1,491	1,320	171
Total Net Assets Held in Trust	<u>\$ 84,268</u>	<u>\$ 79,717</u>	<u>\$ 4,551</u>

20. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Condensed Financial Statements (Continued)

Statements of Changes in Net Assets

	<u>Total</u>	<u>Retiree Medical Plan</u>	<u>Health Reimbursement Arrangement Plan</u>
Additions:			
Contributions to Retiree Medical Trust:			
Employer	\$ 113,366	\$ 108,853	\$ 4,513
Interest and Investment Income (Loss)	(2,305)	(2,344)	39
Less: Investment Expense	(23)	(22)	(1)
Total Additions	<u>111,038</u>	<u>106,487</u>	<u>4,551</u>
Deductions:			
Benefits Paid to Participants	<u>26,770</u>	<u>26,770</u>	<u>--</u>
Total Deductions	<u>26,770</u>	<u>26,770</u>	<u>--</u>
Change in Net Assets Held in Trust	84,268	79,717	4,551
Net Assets Held in Trust at July 1, 2007	--	--	--
Net Assets Held in Trust at June 30, 2008	<u>\$ 84,268</u>	<u>\$ 79,717</u>	<u>\$ 4,551</u>

21. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2008:

Teeter Plan Notes: On July 10, 2008, the County issued its 2008-2009 Teeter Plan Notes (the "Teeter Notes") in the aggregate principal amount of \$75,600. The Teeter Notes were issued for the purpose of financing, together with certain monies paid to the County by the Orange County Special Financing Authority from the County sale of delinquent tax receivables to the Authority, the County's obligations to make distributions to certain local governmental taxing agencies pursuant to the Teeter Plan. While the Teeter Notes mature on June 30, 2009, the County optionally redeemed the Teeter Notes in the amount of \$75,600 with proceeds from Commercial Paper (see below) on November 10, 2008.

Teeter Plan Obligation Commercial Paper Program Notes Series A: On August 26, 2008, The County issued its Teeter Plan Obligation Commercial Paper Notes Series A (the "CP") not to exceed \$178,600. The CP was and will be issued from time to time to mature on business days not to exceed 270 days from issuance. The CP constitutes an obligation required by law and is secured by a direct pay letter of credit provided by Dexia Credit Local, New York Branch, certain delinquent taxes (excluding penalties and interest) and the County General Fund. The proceeds of the CP, less cost of issuance, were used along with other available monies to retire the outstanding Orange County Special Finance Authority Teeter Plan Revenue Bonds, Series 1995 A through E on September 2, 2008, to redeem the 2008-2009 Teeter Notes on November 10, 2008, to fund a Tax Losses Reserve Fund to be held and expended by the County in accordance with Teeter Plan law and to establish a Series A Taxes Fund to which the delinquent taxes serving as security for the CP will be deposited. Due to a provision in the Sales and Servicing Agreement applicable to the retired Teeter Bonds, no monies held in either the Tax Losses Reserve Fund or the Series A Taxes Fund may be expended for any purpose prior to January 14, 2009. Subject to certain requirements of CP documents, additional CP may be issued to finance the County's obligations under the Teeter Plan.

21. SUBSEQUENT EVENTS (Continued)

Teeter Plan Obligation Commercial Paper Program Notes Series A (Continued)

On November 6, 2008, the County Treasurer-Tax Collector purchased \$56,400 of the outstanding \$112,800 CP notes which matured on this date. These CP Notes purchased by the Treasurer-Tax Collector mature on March 2, 2009 at a 3% interest rate. The Treasurer-Tax Collector may potentially purchase CP Notes from time to time as any other investor to take advantage of investment opportunities in the municipal bond markets.

2008-2009 Tax and Revenue Anticipation Notes: On September 17, 2008, the County issued its 2008-2009 Tax and Revenue Anticipation Notes (the "Notes") in the aggregate principal amount of \$100,000 to finance the seasonal cash flow requirements of the County during the fiscal year ending June 30, 2009. The Notes are secured by a pledge of certain general fund monies and will mature on June 30, 2009.

Property Tax Management System Upgrade: On July 15, 2008 the Board approved the contract with Tata Consultancy Services to develop the Property Tax Management System (PTMS) to replace the current Assessment Tax System. The contract is for the period July 16, 2008 through July 15, 2011 at a total cost not to exceed \$8,786. The PTMS Steering Committee, comprised of the Auditor-Controller, Clerk of the Board, Treasurer-Tax Collector, and CEO/Chief Information Officer, provides the overall management and oversight of the PTMS project.

Structured Investment Vehicles (SIV): The County continues to monitor the volatility in the markets for SIVs in order to safeguard these investments and maintain liquidity needs of the pool participants. Subsequent to June 30, 2008, several of the County SIV holdings (excluding Whistlejacket) either matured or were sold, resulting in the receipt of principal and interest. As of November 30, 2008, the County has reduced its SIV holdings to \$262,000. Refer to Note 5, Deposits and Investments, for additional information on these subsequent event transactions.

Termination of Investment Agreements: On November 5, 2008, Moody's Investors Services downgraded the insurance financial strength of Ambac Assurance Corporation (Ambac) to Baa1. The downgrade resulted in the County exercising its option to terminate the Ambac investment agreement for South Orange County Public Financing Authority (SOCPFA) 1994 Series C bonds.

On November 7, 2008, Moody's Investors Service downgraded the insurance financial strength of MBIA Insurance Corporation (MBIA) to Baa1. The downgrade resulted in the County exercising its option to terminate MBIA investment agreements for Orange County Public Financing Authority (OCPFA) 2005 Lease Revenue Bonds, OCPFA Lease Revenue Bonds 2001, Orange County Development Agency (OCDA) Santa Ana Heights Series 2003, SOCPFA 88-1, SOCPFA 1994 Series A, SOCPFA 1998 Series A, and SOCPFA 1998 Series B.

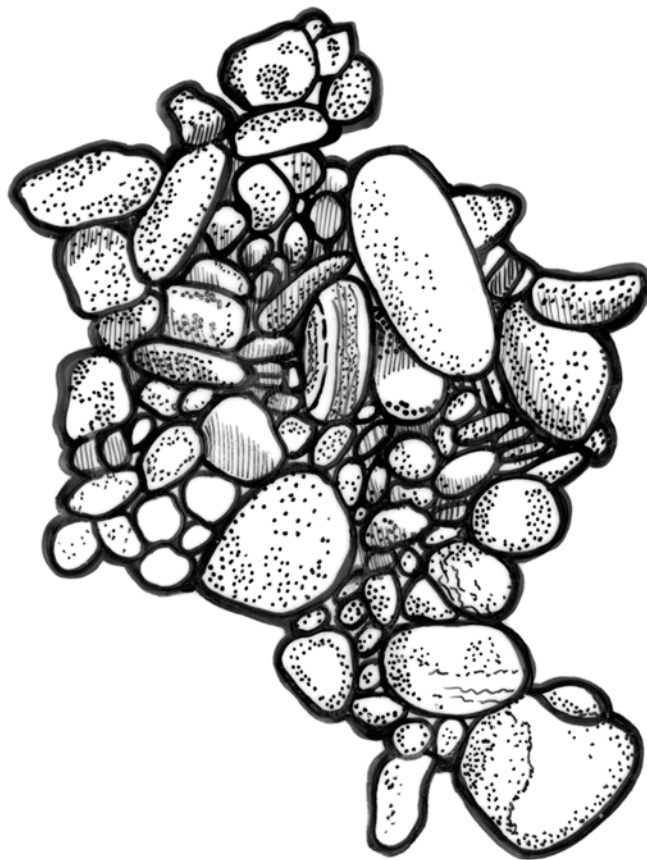
For all terminated agreements, principal amounts plus unpaid accrued interest were returned to the bank trustee and invested in money market funds.

MBIA continues to maintain an investment agreement for OCPFA Lease Revenue Bonds, Series 2006. As of November 30, 2008 there is no fluctuation between the carrying amount and the market value of the investment.

Airport Improvement Plan: Subsequent to the close of the fiscal year, the Airport began to remove a parking structure to make way for a new terminal building. Although the parking structure was a revenue generation facility, the Airport opened a temporary parking lot to the public prior to the actual closing of the parking structure, to compensate spaces lost from the parking structure's impending closure. This activity does not affect the other Airport parking facilities which remain fully operational.

As a result of the closure, the parking structure's useful life has been adjusted as of the year-ended June 30, 2008. See Note 3, Special Item, for additional discussion.







**Orange County Employees' 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	82.8%	\$ 1,242,348	78.7%
2003	4,790,099	6,099,433	1,309,334	78.5%	1,243,964	105.3%
2004 (1)	5,245,821	7,403,972	2,158,151	70.9%	1,257,085	171.7%
2005	5,786,617	8,089,627	2,303,010	71.5%	1,276,764	180.4%
2006	6,466,085	8,765,045	2,298,960	73.8%	1,322,952	173.8%
2007	7,288,900	9,996,211	2,707,311	72.9%	1,457,159	185.8%

(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 12/31/03, 12/31/04, 12/31/05, 12/31/06 and 12/31/07 actuarial value of assets exclude \$143,744, \$155,245, \$158,219, \$168,224 and \$174,348 of the County Investment Account balances respectively.

Source: Orange County Employees' Retirement System Comprehensive Annual Financial Report 2007

**Orange County Employees' Retirement System
 County Employer Contributions**

Year Ended	County Contribution	OCERS Investment	Total Annual Required	Percentage Contributed
06/30/06	201,251	11,596	212,847	100%
06/30/07	223,505	11,000	234,505	100%
06/30/08	253,620	11,000	264,620	100%

**Orange County Extra-Help Employees Defined Benefits Retirement Plan
Schedule of Funding Progress for Years Ended June 30**

Actuarial Valuation as of June 30	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)
2003	\$ 4,655	\$ 8,137 (1)	\$ 3,482	57.2%	\$ 25,160 (2)	13.8%
2004	4,707	8,124	3,417	57.9%	9,306	36.7%
2005	4,387	7,329 (3)	2,942	59.9%	6,112	48.1%
2006	4,612	7,222 (4)	2,610	63.9%	5,318	49.1%
2007	5,051	7,253 (5)	2,202	69.6%	4,730	46.6%
2008	5,242	7,599	2,357	69.0%	3,445	68.4%

- (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.

**Orange County Extra-Help Employees Defined Benefits Retirement Plan
Schedule of Employer Contributions**

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
06/30/03	\$ 277	0%	\$ 441
06/30/04	336	0%	771
06/30/05	342	100%	760
06/30/06	270	100%	750
06/30/07	285	126%	668
06/30/08	225	100%	660

**Orange County Retiree Medical Defined Benefit OPEB Plan
Schedule of Funding Progress for Years Ended June 30**

Actuarial Valuation as of June 30	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)
2007	\$ --	\$ 408,322	\$ 408,322	0.0%	\$ 1,157,642	35.3%
2008 *	\$ 79,717	\$ 423,025	\$ 343,308	18.8%	\$ 1,198,159	28.7%

* The June 30, 2008 actuarial valuation is projected based on the June 30, 2007 actuarial valuation.

**Orange County Retiree Medical Defined Benefit OPEB Plan
Schedule of Employer Contributions**

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
06/30/08	\$ 30,654	355%







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.

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

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

SPECIAL REVENUE FUNDS (Continued)

Schedule I County-Administered Accounts

These funds are used to account for the portion of the 1996 Recovery Certificates of Participation which was used to reimburse certain County-administered accounts for their allocated share of the Orange County Investment Pool loss, in accordance with the County's Modified Second Amended Plan of Adjustment ("Plan of Adjustment"), Exhibit 8 - "Schedule I - County-Administered Accounts." In addition, on February 2, 2000, the Bankruptcy Court ordered a segregation of litigation proceeds to ensure indemnification of the representative, Tom Hayes, and others pursuant to the plan, to pay future expenses, fees and charges incurred by the representative, and to pay litigation costs.

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.

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.

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.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

DEBT SERVICE FUNDS (Continued)

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	\$ 513,686	\$ 7,483	\$ 19,229	\$ 2,168	\$ 2,386
Imprest Cash Funds	61	--	--	--	--
Restricted Cash and Investments with Trustee	447,096	--	--	--	--
Investments	17,966	--	--	--	--
Receivables					
Accounts	3,169	19	--	--	390
Taxes	57,399	--	--	25	--
Interest/Dividends	1,537	25	58	7	10
Allowance for Uncollectible Receivables	(2)	(2)	--	--	--
Due from Other Funds	18,275	120	3,650	--	--
Due from Other Governmental Agencies	7,300	169	--	--	35
Prepaid Costs	551	--	--	--	--
Land and Improvements Held for Resale	802	--	--	--	--
Notes Receivable	30,873	--	12,383	--	1,549
Total Assets	<u>\$ 1,098,713</u>	<u>\$ 7,814</u>	<u>\$ 35,320</u>	<u>\$ 2,200</u>	<u>\$ 4,370</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 12,020	\$ 172	\$ --	\$ 4	\$ 13
Salaries and Employee Benefits Payable	1,716	6	--	--	--
Deposits from Others	1,980	913	--	--	--
Due to Other Funds	49,578	79	42	20	23
Due to Other Governmental Agencies	6,790	214	--	--	--
Deferred Revenue	17,759	--	--	6	1,584
Unearned Revenue	2,173	--	--	2	2
Advances from Other Funds	2,496	--	--	--	--
Total Liabilities	<u>94,512</u>	<u>1,384</u>	<u>42</u>	<u>32</u>	<u>1,622</u>
Fund Balances					
Reserved for:					
Encumbrances	25,552	64	4	19	27
Long Term Receivable	55,720	--	12,383	--	--
Imprest Cash Funds	61	--	--	--	--
Prepaid Costs	551	--	--	--	--
Land and Improvements Held for Resale	802	--	--	--	--
Debt Service	494,529	--	--	--	--
Unreserved, Designated for:					
Operations	32,714	--	--	--	--
Contingencies	27,513	--	--	--	--
Administration Fees	9,040	--	--	--	--
Equipment Purchase	777	--	--	--	--
Revitalization Projects	3,294	--	--	--	--
General Reserve	24,433	--	22,891	9	1,410
Unreserved, Undesignated for:					
Special Revenue Funds	136,595	6,366	--	2,140	1,311
Capital Projects Funds	192,604	--	--	--	--
Permanent Fund	16	--	--	--	--
Total Fund Balances	<u>1,004,201</u>	<u>6,430</u>	<u>35,278</u>	<u>2,168</u>	<u>2,748</u>
Total Liabilities and Fund Balances	<u>\$ 1,098,713</u>	<u>\$ 7,814</u>	<u>\$ 35,320</u>	<u>\$ 2,200</u>	<u>\$ 4,370</u>

Supplemental Information
(Dollar Amounts in Thousands)

Tobacco Settlement	Community & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County - Administered Accounts	
					ASSETS
\$ 16,951	\$ 68,612	\$ 14,187	\$ 3,626	\$ 5,711	Pooled Cash/Investments
--	8	--	--	--	Imprest Cash Funds
--	--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	--	--	Investments
--	621	--	--	--	Receivables
--	--	--	--	--	Accounts
--	--	--	--	--	Taxes
5	(1)	--	10	18	Interest/Dividends
--	--	--	--	--	Allowance for Uncollectible Receivables
--	1,464	100	--	--	Due from Other Funds
--	3,164	--	--	--	Due from Other Governmental Agencies
--	--	--	--	--	Prepaid Costs
--	145	--	--	--	Land and Improvements Held for Resale
--	4,911	--	--	--	Notes Receivable
<u>\$ 16,956</u>	<u>\$ 78,924</u>	<u>\$ 14,287</u>	<u>\$ 3,636</u>	<u>\$ 5,729</u>	Total Assets
					LIABILITIES AND FUND BALANCES
					Liabilities
\$ --	\$ 6,742	\$ --	\$ --	\$ --	Accounts Payable
--	309	--	--	--	Salaries and Employee Benefits Payable
--	13	--	--	--	Deposits from Others
11,025	12,951	1,751	--	--	Due to Other Funds
--	1	--	--	--	Due to Other Governmental Agencies
--	499	--	--	--	Deferred Revenue
--	--	--	--	--	Unearned Revenue
--	--	--	--	--	Advances from Other Funds
<u>11,025</u>	<u>20,515</u>	<u>1,751</u>	<u>--</u>	<u>--</u>	Total Liabilities
					Fund Balances
					Reserved for:
--	14,253	--	--	--	Encumbrances
--	4,961	--	--	--	Long Term Receivable
--	8	--	--	--	Imprest Cash Funds
--	--	--	--	--	Prepaid Costs
--	145	--	--	--	Land and Improvements Held for Resale
--	--	--	3,468	--	Debt Service
					Unreserved, Designated for:
--	3,801	--	--	--	Operations
--	--	--	--	--	Contingencies
--	--	--	--	1,282	Administration Fees
--	--	--	--	--	Equipment Purchase
--	--	--	--	--	Revitalization Projects
--	--	--	--	--	General Reserve
					Unreserved, Undesignated for:
5,931	35,241	12,536	168	4,447	Special Revenue Funds
--	--	--	--	--	Capital Projects Funds
--	--	--	--	--	Permanent Fund
<u>5,931</u>	<u>58,409</u>	<u>12,536</u>	<u>3,636</u>	<u>5,729</u>	Total Fund Balances
<u>\$ 16,956</u>	<u>\$ 78,924</u>	<u>\$ 14,287</u>	<u>\$ 3,636</u>	<u>\$ 5,729</u>	Total Liabilities and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue				
	Public Library	Plan of Adjustment Available Cash	Health Care Programs	Orange County Housing Authority	Other Governmental Resources
ASSETS					
Pooled Cash/Investments	\$ 10,186	\$ 116	\$ 83,324	\$ 11,119	\$ 17,884
Imprest Cash Funds	53	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	--	10,915	--
Investments	--	--	--	--	10,138
Receivables					
Accounts	396	--	151	1,592	--
Taxes	1,614	--	--	--	--
Interest/Dividends	36	--	277	35	68
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	51	12,812	--	8	--
Due from Other Governmental Agencies	--	--	3,023	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable	--	--	--	8,234	--
Total Assets	<u>\$ 12,336</u>	<u>\$ 12,928</u>	<u>\$ 86,775</u>	<u>\$ 31,903</u>	<u>\$ 28,090</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 1,182	\$ --	\$ --	\$ 1,343	\$ 19
Salaries and Employee Benefits Payable	782	--	--	585	34
Deposits from Others	274	--	--	598	--
Due to Other Funds	81	--	19,192	23	1
Due to Other Governmental Agencies	225	--	--	4	--
Deferred Revenue	763	--	3	642	--
Unearned Revenue	124	--	1,844	--	--
Advances from Other Funds	2,496	--	--	--	--
Total Liabilities	<u>5,927</u>	<u>--</u>	<u>21,039</u>	<u>3,195</u>	<u>54</u>
Fund Balances					
Reserved for:					
Encumbrances	2,422	--	--	131	11
Long Term Receivable	--	--	--	8,234	--
Imprest Cash Funds	53	--	--	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Debt Service	--	--	--	--	--
Unreserved, Designated for:					
Operations	--	--	26,095	--	2,818
Contingencies	2,517	--	--	--	22,546
Administration Fees	--	--	--	7,758	--
Equipment Purchase	--	--	--	--	777
Revitalization Projects	--	--	--	--	--
General Reserve	--	--	--	--	--
Unreserved, Undesignated for:					
Special Revenue Funds	1,417	12,928	39,641	12,585	1,884
Capital Projects Funds	--	--	--	--	--
Permanent Fund	--	--	--	--	--
Total Fund Balances	<u>6,409</u>	<u>12,928</u>	<u>65,736</u>	<u>28,708</u>	<u>28,036</u>
Total Liabilities and Fund Balances	<u>\$ 12,336</u>	<u>\$ 12,928</u>	<u>\$ 86,775</u>	<u>\$ 31,903</u>	<u>\$ 28,090</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	
\$ 54,578	\$ --	\$ 335	\$ 5,375	\$ --	ASSETS
--	--	--	--	--	Pooled Cash/Investments
3,003	3,484	198,561	104,454	116,311	Imprest Cash Funds
--	--	--	--	--	Restricted Cash and Investments with Trustee Investments
--	--	--	--	--	Receivables
1,721	--	--	54,039	--	Accounts
161	--	--	231	--	Taxes
--	--	--	--	--	Interest/Dividends
--	--	--	--	--	Allowance for Uncollectible Receivables
--	--	--	--	--	Due from Other Funds
--	--	--	--	--	Due from Other Governmental Agencies
--	--	--	551	--	Prepaid Costs
--	--	--	--	--	Land and Improvements Held for Resale
--	--	--	--	--	Notes Receivable
<u>\$ 59,463</u>	<u>\$ 3,484</u>	<u>\$ 198,896</u>	<u>\$ 164,650</u>	<u>\$ 116,311</u>	Total Assets
					LIABILITIES AND FUND BALANCES
\$ --	\$ --	\$ --	\$ 98	\$ --	Liabilities
--	--	--	--	--	Accounts Payable
--	--	--	--	--	Salaries and Employee Benefits Payable
--	--	--	--	--	Deposits from Others
3,941	--	1	--	--	Due to Other Funds
6,346	--	--	--	--	Due to Other Governmental Agencies
329	--	--	13,930	--	Deferred Revenue
201	--	--	--	--	Unearned Revenue
--	--	--	--	--	Advances from Other Funds
<u>10,817</u>	<u>--</u>	<u>1</u>	<u>14,028</u>	<u>--</u>	Total Liabilities
					Fund Balances
--	--	--	--	--	Reserved for:
--	--	--	26,346	--	Encumbrances
--	--	--	--	--	Long Term Receivable
--	--	--	551	--	Imprest Cash Funds
--	--	--	--	--	Prepaid Costs
48,646	3,484	198,895	123,725	116,311	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
--	--	--	--	--	Capital Projects Funds
--	--	--	--	--	Permanent Fund
<u>48,646</u>	<u>3,484</u>	<u>198,895</u>	<u>150,622</u>	<u>116,311</u>	Total Fund Balances
<u>\$ 59,463</u>	<u>\$ 3,484</u>	<u>\$ 198,896</u>	<u>\$ 164,650</u>	<u>\$ 116,311</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	\$ 55,161	\$ 31,895	\$ 103,065	\$ 295
Imprest Cash Funds	--	--	--	--
Restricted Cash and Investments with Trustee	--	--	10,368	--
Investments	--	--	7,828	--
Receivables				
Accounts	--	--	--	--
Taxes	--	--	--	--
Interest/Dividends	163	97	336	1
Allowance for Uncollectible Receivables	--	--	--	--
Due from Other Funds	9	61	--	--
Due from Other Governmental Agencies	909	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	657	--	--
Notes Receivable	--	3,796	--	--
Total Assets	<u>\$ 56,242</u>	<u>\$ 36,506</u>	<u>\$ 121,597</u>	<u>\$ 296</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 2,245	\$ 2	\$ 200	\$ --
Salaries and Employee Benefits Payable	--	--	--	--
Deposits from Others	--	25	--	157
Due to Other Funds	13	345	90	--
Due to Other Governmental Agencies	--	--	--	--
Deferred Revenue	3	--	--	--
Unearned Revenue	--	--	--	--
Advances from Other Funds	--	--	--	--
Total Liabilities	<u>2,261</u>	<u>372</u>	<u>290</u>	<u>157</u>
Fund Balances				
Reserved for:				
Encumbrances	5,868	2,753	--	--
Long Term Receivable	--	3,796	--	--
Imprest Cash Funds	--	--	--	--
Prepaid Costs	--	--	--	--
Land and Improvements Held for Resale	--	657	--	--
Debt Service	--	--	--	--
Unreserved, Designated for:				
Operations	--	--	--	--
Contingencies	--	--	2,450	--
Administration Fees	--	--	--	--
Equipment Purchase	--	--	--	--
Revitalization Projects	--	3,294	--	--
General Reserve	--	--	--	123
Unreserved, Undesignated for:				
Special Revenue Funds	--	--	--	--
Capital Projects Funds	48,113	25,634	118,857	--
Permanent Fund	--	--	--	16
Total Fund Balances	<u>53,981</u>	<u>36,134</u>	<u>121,307</u>	<u>139</u>
Total Liabilities and Fund Balances	<u>\$ 56,242</u>	<u>\$ 36,506</u>	<u>\$ 121,597</u>	<u>\$ 296</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

**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	\$ 69,860	\$ --	\$ --	\$ 474	\$ --
Licenses, Permits, and Franchises	824	--	--	--	--
Fines, Forfeitures and Penalties	31,494	--	--	--	11
Use of Money and Property	60,388	8,166	946	83	462
Intergovernmental	185,839	1,599	--	4	1,888
Charges for Services	7,940	196	--	22	99
Other	34,901	23	110	2	159
Total Revenues	391,246	9,984	1,056	585	2,619
Expenditures					
Current					
General Government	36,292	--	--	--	237
Public Protection	28	--	--	--	28
Public Ways and Facilities	5,436	5,435	--	--	1
Health and Sanitation	1,583	--	--	--	--
Public Assistance	135,760	--	363	--	--
Education	37,091	--	--	--	--
Recreation and Cultural Services	245	--	--	245	--
Capital Outlay	65,789	524	--	14	--
Debt Service					
Principal Retirement	72,840	--	--	--	--
Interest	33,969	--	--	--	--
Total Expenditures	389,033	5,959	363	259	266
Excess (Deficit) of Revenues Over Expenditures	2,213	4,025	693	326	2,353
Other Financing Sources (Uses)					
Transfers In	125,848	2,200	5,012	--	--
Transfers Out	(148,988)	(3,983)	(1,540)	--	(389)
Total Other Financing Sources (Uses)	(23,140)	(1,783)	3,472	--	(389)
Net Change in Fund Balances	(20,927)	2,242	4,165	326	1,964
Fund Balances - Beginning of Year	1,025,128	4,188	31,113	1,842	784
Fund Balances - End of Year	<u>\$ 1,004,201</u>	<u>\$ 6,430</u>	<u>\$ 35,278</u>	<u>\$ 2,168</u>	<u>\$ 2,748</u>

Supplemental Information
(Dollar Amounts in Thousands)

Tobacco Settlement	Community & Welfare Services	Designated Special Revenue	Recovery Certificates of Participation	Schedule I County- Administered Accounts	
\$ --	\$ --	\$ --	\$ --	\$ --	Revenues
--	807	--	--	--	Taxes
--	--	--	--	--	Licenses, Permits, and Franchises
430	2,403	700	149	236	Fines, Forfeitures and Penalties
--	26,480	--	--	--	Use of Money and Property
--	5,430	--	--	--	Intergovernmental
31,465	690	--	--	--	Charges for Services
<u>31,895</u>	<u>35,810</u>	<u>700</u>	<u>149</u>	<u>236</u>	Other
					Total Revenues
					Expenditures
					Current
10	--	15	4	6	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	23,926	--	--	--	Public Assistance
--	--	--	--	--	Education
--	--	--	--	--	Recreation and Cultural Services
--	6,353	--	--	--	Capital Outlay
--	688	--	--	--	Debt Service
--	140	--	--	--	Principal Retirement
<u>10</u>	<u>31,107</u>	<u>15</u>	<u>4</u>	<u>6</u>	Interest
					Total Expenditures
31,885	4,703	685	145	230	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
9	22,833	2,515	--	--	Transfers In
(32,037)	(27,905)	(11,443)	--	--	Transfers Out
<u>(32,028)</u>	<u>(5,072)</u>	<u>(8,928)</u>	<u>--</u>	<u>--</u>	Total Other Financing Sources (Uses)
					Net Change in Fund Balances
(143)	(369)	(8,243)	145	230	
6,074	58,778	20,779	3,491	5,499	Fund Balances - Beginning of Year
<u>\$ 5,931</u>	<u>\$ 58,409</u>	<u>\$ 12,536</u>	<u>\$ 3,636</u>	<u>\$ 5,729</u>	Fund Balances - End of Year

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

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

Special Revenue

	Public Library	Plan of Adjustment Available Cash	Health Care Programs	Orange County Housing Authority	Other Governmental Resources
Revenues					
Taxes	\$ 37,279	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	17	--	--	--	--
Fines, Forfeitures and Penalties	25	--	5,782	--	--
Use of Money and Property	445	111	3,754	846	1,162
Intergovernmental	1,795	--	38,816	113,114	1,823
Charges for Services	1,249	--	881	--	63
Other	449	--	--	1,207	39
Total Revenues	<u>41,259</u>	<u>111</u>	<u>49,233</u>	<u>115,167</u>	<u>3,087</u>
Expenditures					
Current					
General Government	--	11,782	--	--	2,184
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	1,583	--	--
Public Assistance	--	--	--	111,471	--
Education	37,091	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	4,896	--	--	--	222
Debt Service					
Principal Retirement	--	--	--	--	--
Interest	--	--	--	--	--
Total Expenditures	<u>41,987</u>	<u>11,782</u>	<u>1,583</u>	<u>111,471</u>	<u>2,406</u>
Excess (Deficit) of Revenues Over Expenditures	(728)	(11,671)	47,650	3,696	681
Other Financing Sources (Uses)					
Transfers In	1,015	12,812	16	--	1
Transfers Out	(3,381)	--	(46,206)	(300)	(2,249)
Total Other Financing Sources (Uses)	<u>(2,366)</u>	<u>12,812</u>	<u>(46,190)</u>	<u>(300)</u>	<u>(2,248)</u>
Net Change in Fund Balances	(3,094)	1,141	1,460	3,396	(1,567)
Fund Balances - Beginning of Year	9,503	11,787	64,276	25,312	29,603
Fund Balances - End of Year	<u>\$ 6,409</u>	<u>\$ 12,928</u>	<u>\$ 65,736</u>	<u>\$ 28,708</u>	<u>\$ 28,036</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	
\$ 32,107	\$ --	\$ --	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
66	--	--	16,219	--	Licenses, Permits, and Franchises
2,001	394	17,581	3,819	6,621	Fines, Forfeitures and Penalties
317	--	--	--	--	Use of Money and Property
--	--	--	--	--	Intergovernmental
196	--	--	--	--	Charges for Services
<u>34,687</u>	<u>394</u>	<u>17,581</u>	<u>20,038</u>	<u>6,621</u>	Other
					Total Revenues
11,252	--	23	10,779	--	Expenditures
--	--	--	--	--	Current
--	--	--	--	--	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
--	--	--	--	--	Public Assistance
--	--	--	--	--	Education
--	--	--	--	--	Recreation and Cultural Services
2,450	859	17,163	--	51,680	Capital Outlay
2,694	1,741	4,360	4,751	20,283	Debt Service
<u>16,396</u>	<u>2,600</u>	<u>21,546</u>	<u>15,530</u>	<u>71,963</u>	Principal Retirement
					Interest
18,291	(2,206)	(3,965)	4,508	(65,342)	Total Expenditures
					Excess (Deficit) of Revenues
					Over Expenditures
1,540	2,395	--	2,499	70,687	Other Financing Sources (Uses)
(5,012)	--	--	--	(10,135)	Transfers In
<u>(3,472)</u>	<u>2,395</u>	<u>--</u>	<u>2,499</u>	<u>60,552</u>	Transfers Out
					Total Other Financing Sources (Uses)
14,819	189	(3,965)	7,007	(4,790)	Net Change in Fund Balances
33,827	3,295	202,860	143,615	121,101	Fund Balances - Beginning of Year
<u>\$ 48,646</u>	<u>\$ 3,484</u>	<u>\$ 198,895</u>	<u>\$ 150,622</u>	<u>\$ 116,311</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	9,391	--	--	--
Use of Money and Property	2,903	1,435	5,730	11
Intergovernmental	3	--	--	--
Charges for Services	--	--	--	--
Other	45	464	49	3
Total Revenues	<u>12,342</u>	<u>1,899</u>	<u>5,779</u>	<u>14</u>
Expenditures				
Current				
General Government	--	--	--	--
Public Protection	--	--	--	--
Public Ways and Facilities	--	--	--	--
Health and Sanitation	--	--	--	--
Public Assistance	--	--	--	--
Education	--	--	--	--
Recreation and Cultural Services	--	--	--	--
Capital Outlay	11,547	8,477	33,756	--
Debt Service				
Principal Retirement	--	--	--	--
Interest	--	--	--	--
Total Expenditures	<u>11,547</u>	<u>8,477</u>	<u>33,756</u>	<u>--</u>
Excess (Deficit) of Revenues Over Expenditures	795	(6,578)	(27,977)	14
Other Financing Sources (Uses)				
Transfers In	2,314	--	--	--
Transfers Out	(4,408)	--	--	--
Total Other Financing Sources (Uses)	<u>(2,094)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(1,299)	(6,578)	(27,977)	14
Fund Balances - Beginning of Year	55,280	42,712	149,284	125
Fund Balances - End of Year	<u>\$ 53,981</u>	<u>\$ 36,134</u>	<u>\$ 121,307</u>	<u>\$ 139</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2008	Unspent Appropriations
Parking Facilities								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 2,828	\$ --	\$ 2,828	\$ 3,124	\$ 296		
Charges for Services		279	--	279	196	(83)		
Other Revenues		16	--	16	23	7		
Transfers In		2,200	--	2,200	2,200	--		
Total Revenues and Other Financing Sources		5,323	--	5,323	5,543	220		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Ways and Facilities:								
Parking Facilities	\$ 41	6,119	184	6,344	3,631	2,713	\$ 42	\$ 2,671
Total Expenditures/Encumbrances and Other Financing Uses	41	6,119	184	6,344	3,631	2,713	42	2,671
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(41)	(796)	(184)	(1,021)	1,912	\$ 2,933		
Fund Balances - Budgeted Fund								
Beginning of Year	--	796	--	796	1,006			
Fund Balances - Non-Budgeted Fund -								
Beginning of Year	--	--	--	--	3,182			
Net Increase in Fund Balances -								
Non-Budgeted Fund	--	--	--	--	330			
Cancellation of Reserves/Designations	--	--	184	184	(42)			
Fund Balance Reserved for Encumbrances	41	--	--	41	42			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 6,430			
Redevelopment Agency								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 650	\$ --	\$ 650	\$ 946	\$ 296		
Other Revenues		--	--	--	110	110		
Transfers In		5,355	--	5,355	5,012	(343)		
Total Revenues and Other Financing Sources		6,005	--	6,005	6,068	63		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 81	24,841	(49)	24,873	1,903	22,970	\$ 4	\$ 22,966
Total Expenditures/Encumbrances and Other Financing Uses	81	24,841	(49)	24,873	1,903	22,970	4	22,966
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(81)	(18,836)	49	(18,868)	4,165	\$ 23,033		
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	18,836	--	18,836	31,113			
Fund Balance Reserved for Encumbrances	81	--	--	81	4			
Provisions for Reserves and/or Designations	--	--	(49)	(49)	35,280			
Fund Balance - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 35,278			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2007						Budget	Adjustments
Service Area, Lighting and Maintenance Districts Revenues								
Taxes		\$ 469	\$ --	\$ 469	\$ 474	\$ 5		
Use of Money and Property		101	--	101	83	(18)		
Intergovernmental Revenues		4	--	4	4	--		
Charges for Services		22	--	22	22	--		
Other Revenues		1	--	1	2	1		
Total Revenues		<u>597</u>	<u>--</u>	<u>597</u>	<u>585</u>	<u>(12)</u>		
Expenditures/Encumbrances								
Recreation and Cultural Services:								
North Tustin Landscaping and Lighting Assessment District								
	\$ 16	2,064	134	2,214	221	1,993	\$ 9	\$ 1,984
County Service Area No. 13 - La Mirada								
	--	6	--	6	5	1	--	1
County Service Area No. 20 - La Habra								
	--	134	3	137	1	136	--	136
County Service Area No. 22 - East Yorba Linda								
	12	60	2	74	32	42	10	32
Total Expenditures/Encumbrances	<u>28</u>	<u>2,264</u>	<u>139</u>	<u>2,431</u>	<u>259</u>	<u>2,172</u>	<u>\$ 19</u>	<u>\$ 2,153</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	(28)	(1,667)	(139)	(1,834)	326	<u>\$ 2,160</u>		
Fund Balances - Beginning of Year	--	1,666	--	1,666	1,842			
Cancellation of Reserves/Designations	--	1	139	140	(28)			
Fund Balance Reserved for Encumbrances	28	--	--	28	19			
Provisions for Reserves and/or Designations	--	--	--	--	9			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,168</u>			

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

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

	Open	Original	Mid-Year	Final	Actual Revenues	Variance	Variance	
	Encumbrances July 1, 2007						Budget	Adjustments
Other Environmental Management								
Revenues								
Fines, Forfeitures and Penalties		\$ 6	\$ --	\$ 6	\$ 11	\$ 5		
Use of Money and Property		288	70	358	462	104		
Intergovernmental Revenues		208	1,410	1,618	1,888	270		
Charges for Services		70	--	70	99	29		
Other Revenues		150	--	150	159	9		
Total Revenues		<u>722</u>	<u>1,480</u>	<u>2,202</u>	<u>2,619</u>	<u>417</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Real Estate Development Program	\$ 41	476	28	545	409	136	\$ 2	\$ 134
Air Quality Improvement	25	472	(19)	478	28	450	25	425
Public Protection:								
Fish and Game Propagation	--	8	4	12	11	1	--	1
Survey Monument Preservation	--	153	80	233	28	205	--	205
Public Ways and Facilities:								
El Toro Improvement Fund	--	--	70	70	1	69	--	69
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	135	78	213	178	35	--	35
Total Expenditures/Encumbrances and Other Financing Uses	66	1,244	241	1,551	655	896	\$ 27	\$ 869
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances and Other Financing Uses	(66)	(522)	1,239	651	1,964	\$ 1,313		
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	--	--	--	(1,437)			
Fund Balance Reserved for Encumbrances	66	--	--	66	27			
Provisions for Reserves and/or Designations	--	--	(1,239)	(1,239)	1,410			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 2,748			
Tobacco Settlement								
Revenues and Other Financing Sources								
Use of Money and Property	\$ 19	\$ 2	\$ 21	\$ 430	\$ 409			
Other Revenues	30,895	--	30,895	31,465	570			
Transfers In	--	--	--	9	9			
Total Revenues and Other Financing Sources	30,914	2	30,916	31,904	988			
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Tobacco Settlement Fund	\$ --	34,540	1,118	35,658	30,715	4,943	\$ --	\$ 4,943
Tobacco Settlement Funds	--	764	569	1,333	1,332	1	--	1
Total Expenditures/Encumbrances and Other Financing Uses	--	35,304	1,687	36,991	32,047	4,944	\$ --	\$ 4,944
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances and Other Financing Uses	--	(4,390)	(1,685)	(6,075)	(143)	\$ 5,932		
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	4,390	--	4,390	6,074			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 5,931			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2007						Budget	Adjustments
Community and Welfare Services								
Revenues								
and Other Financing Sources								
Licenses, Permits, and Franchises		\$ 826	\$ --	\$ 826	\$ 807	\$ (19)		
Use of Money and Property		1,621	21	1,642	2,403	761		
Intergovernmental Revenues		44,857	10,190	55,047	26,480	(28,567)		
Charges for Services		4,928	44	4,972	5,430	458		
Other Revenues		1,485	336	1,821	690	(1,131)		
Transfers In		20,157	3,000	23,157	22,833	(324)		
Total Revenues and Other Financing Sources		73,874	13,591	87,465	58,643	(28,822)		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Assistance:								
Dispute Resolution Program	\$ --	796	46	842	689	153	\$ 4	\$ 149
Domestic Violence Program	1	1,022	73	1,096	991	105	6	99
District Community Priorities and Projects	--	9,000	420	9,420	2,034	7,386	--	7,386
Facilities Development and Maintenance	820	25,651	7,622	34,093	11,298	22,795	13,697	9,098
Workforce Investment Act	1,729	10,731	3,791	16,251	9,894	6,357	316	6,041
County Executive Office - Single Family Housing	--	1,952	35	1,987	2	1,985	--	1,985
Housing and Community Services	1,751	29,503	--	31,254	10,803	20,451	185	20,266
Strategic Priority Affordable Housing	--	2,505	(2,442)	63	17	46	--	46
In-Home Support Services								
Public Authority	6	1,102	45	1,153	844	309	6	303
HGI Bio Tech Grant	443	1,045	(424)	1,064	575	489	39	450
SSA Donations and Fees	--	4,019	553	4,572	2,636	1,936	--	1,936
SSA Wraparound	--	25,870	8,030	33,900	18,988	14,912	--	14,912
CalHome Program Reuse Fund	--	377	144	521	237	284	--	284
SARC Lease Conveyance	--	1,375	31	1,406	4	1,402	--	1,402
Total Expenditures/Encumbrances and Other Financing Uses	4,750	114,948	17,924	137,622	59,012	78,610	\$ 14,253	\$ 64,357
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(4,750)	(41,074)	(4,333)	(50,157)	(369)	\$ 49,788		
Fund Balances - Beginning of Year	--	42,506	--	42,506	58,778			
Cancellation of Reserves/Designations	--	--	4,333	4,333	(23,168)			
Fund Balance Reserved for Encumbrances	4,750	--	--	4,750	14,253			
Provisions for Reserves and/or Designations	--	(1,432)	--	(1,432)	8,915			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 58,409			

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

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

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2008	Unspent Appropriations
Designated Special Revenue								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ --	\$ --	\$ --	\$ 700	\$ 700		
Transfers In		--	2,500	2,500	2,515	15		
Total Revenues and Other Financing Sources		--	2,500	2,500	3,215	715		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Designated Special								
Revenue	\$ --	20,754	2,525	23,279	11,458	11,821	\$ --	\$ 11,821
Total Expenditures/Encumbrances and Other Financing Uses	--	20,754	2,525	23,279	11,458	11,821	\$ --	\$ 11,821
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(20,754)	(25)	(20,779)	(8,243)	\$ 12,536		
Fund Balances - Beginning of Year	--	20,754	--	20,754	20,779			
Cancellation of Reserves/Designations	--	--	25	25	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 12,536			
Recovery Certificates of Participation								
Revenues								
Use of Money and Property		\$ 75	\$ --	\$ 75	\$ 149	\$ 74		
Total Revenues		75	--	75	149	74		
Expenditures/Encumbrances								
General Government:								
1996 Recovery Certificates of								
Participation, Series A	\$ --	12	88	100	4	96	\$ --	\$ 96
Total Expenditures/Encumbrances	--	12	88	100	4	96	\$ --	\$ 96
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	63	(88)	(25)	145	\$ 170		
Fund Balances - Beginning of Year	--	3,405	--	3,405	3,491			
Cancellation of Reserves/Designations	--	--	88	88	(3,468)			
Provisions for Reserves and/or Designations	--	(3,468)	--	(3,468)	3,468			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 3,636			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues	Variance	Variance	
	Encumbrances						Budget	Adjustments
	July 1, 2007				on Budgetary Basis	(Negative)	June 30, 2008	Appropriations
Schedule 1 County-Administered								
Accounts								
Revenues								
Use of Money and Property		\$ 139	\$ --	\$ 139	\$ 236	\$ 97		
Total Revenues		<u>139</u>	<u>--</u>	<u>139</u>	<u>236</u>	<u>97</u>		
Expenditures/Encumbrances								
General Government:								
Litigation Reserve - Escrow								
AG FTCl	\$ --	203	5	208	--	208	--	208
Indemnification Reserve	--	2	26	28	2	26	--	26
Litigation Reserve	--	4,022	101	4,123	4	4,119	--	4,119
Total Expenditures/Encumbrances	--	<u>4,227</u>	<u>132</u>	<u>4,359</u>	<u>6</u>	<u>4,353</u>	<u>\$ --</u>	<u>\$ 4,353</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(4,088)	(132)	(4,220)	230	<u>\$ 4,450</u>		
Fund Balances - Beginning of Year	--	4,140	--	4,140	5,499			
Cancellation of Reserves/Designations	--	--	132	132	(1,282)			
Provisions for Reserves								
and/or Designations	--	(52)	--	(52)	1,282			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,729</u>			
Public Library								
Revenues								
and Other Financing Sources								
Taxes		\$ 36,265	\$ 105	\$ 36,370	\$ 37,279	\$ 909		
Licenses, Permits, and Franchises		315	--	315	17	(298)		
Fines, Forfeitures and Penalties		8	--	8	25	17		
Use of Money and Property		250	151	401	445	44		
Intergovernmental Revenues		1,858	329	2,187	1,795	(392)		
Charges for Services		1,202	--	1,202	1,249	47		
Other Revenues		291	216	507	449	(58)		
Transfers In		2,866	486	3,352	1,015	(2,337)		
Total Revenues and Other Financing Sources		<u>43,055</u>	<u>1,287</u>	<u>44,342</u>	<u>42,274</u>	<u>(2,068)</u>		
Expenditures/Encumbrances								
and Other Financing Uses								
Education								
Public Library - Capital	\$ 4,389	1,595	846	6,830	4,734	2,096	\$ 553	\$ 1,543
Public Library	965	42,018	1,051	44,034	40,634	3,400	1,869	1,531
Total Expenditures/Encumbrances		<u>43,613</u>	<u>1,897</u>	<u>50,864</u>	<u>45,368</u>	<u>5,496</u>	<u>\$ 2,422</u>	<u>\$ 3,074</u>
Excess (Deficit) of Revenues								
and Other Financing Sources								
Over Expenditures/Encumbrances								
and Other Financing Uses	(5,354)	(558)	(610)	(6,522)	(3,094)	<u>\$ 3,428</u>		
Fund Balances - Beginning of Year	--	808	--	808	9,503			
Cancellation of Reserves/Designations	--	--	610	610	(4,992)			
Fund Balance Reserved for Encumbrances	5,354	--	--	5,354	2,422			
Provisions for Reserves								
and/or Designations	--	(250)	--	(250)	2,570			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,409</u>			

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

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

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2008	Unspent Appropriations
Plan of Adjustment								
Available Cash								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 50	\$ --	\$ 50	\$ 111	\$ 61		
Transfers In		10,944	--	10,944	12,812	1,868		
Total Revenues and Other Financing Sources		10,994	--	10,994	12,923	1,929		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Class B-27 Registered								
Warrants	--	32	--	32	--	32	--	32
Recovery Plan of Adjustment Available Cash	--	17,767	4,982	22,749	11,782	10,967	--	10,967
Total Expenditures/Encumbrances and Other Financing Uses	--	17,799	4,982	22,781	11,782	10,999	\$ --	\$ 10,999
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances and Other Financing Uses	--	(6,805)	(4,982)	(11,787)	1,141	\$ 12,928		
Fund Balances - Beginning of Year	--	6,805	--	6,805	11,787	--		
Cancellation of Reserves/Designations	--	--	4,982	4,982	--	--		
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 12,928			
Health Care Programs								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ 5,905	\$ 905	\$ 6,810	\$ 5,782	\$ (1,028)		
Use of Money and Property		2,661	100	2,761	3,754	993		
Intergovernmental Revenues		43,444	90	43,534	38,816	(4,718)		
Charges for Services		557	--	557	881	324		
Other Revenues		251	(150)	101	--	(101)		
Transfers In		--	--	--	16	16		
Total Revenues and Other Financing Sources		52,818	945	53,763	49,249	(4,514)		
Expenditures/Encumbrances and Other Financing Uses								
Health and Sanitation:								
Medi-Cal Administrative Activities								
Targeted Case Management	\$ --	2,941	1,131	4,072	1,733	2,339	\$ --	\$ 2,339
Emergency Medical Services	--	5,974	1,000	6,974	5,711	1,263	--	1,263
HCA Purpose Restricted Revenues	--	3,191	432	3,623	2,430	1,193	--	1,193
HCA Interest Bearing Purpose								
Restricted Revenue	--	654	275	929	921	8	--	8
HCA Realignment	--	--	1,000	1,000	614	386	--	386
Mental Health Services Act	--	38,115	2,014	40,129	31,622	8,507	--	8,507
Bioterrorism Center for Disease Control	--	4,749	13	4,762	4,758	4	--	4
Total Expenditures/Encumbrances and Other Financing Uses	--	55,624	5,865	61,489	47,789	13,700	\$ --	\$ 13,700
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances and Other Financing Uses	--	(2,806)	(4,920)	(7,726)	1,460	\$ 9,186		
Fund Balances - Beginning of Year	--	8,818	--	8,818	64,276	--		
Cancellation of Reserves/Designations	--	--	4,920	4,920	(26,095)	--		
Provisions for Reserves and/or Designations	--	(6,012)	--	(6,012)	26,095	--		
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 65,736			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis (See Note B)	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2007						Budget	Adjustments
Orange County								
Housing Authority								
Revenues								
Use of Money and Property		\$ 720	\$ --	\$ 720	\$ 711	\$ (9)		
Other Revenues		186	--	186	66	(120)		
Total Revenues		<u>906</u>	<u>--</u>	<u>906</u>	<u>777</u>	<u>(129)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 39	1,766	3,034	4,839	1,632	3,207	131	3,076
Total Expenditures/Encumbrances and Other Financing Uses	<u>39</u>	<u>1,766</u>	<u>3,034</u>	<u>4,839</u>	<u>1,632</u>	<u>3,207</u>	<u>\$ 131</u>	<u>\$ 3,076</u>
Excess (Deficit) of Revenues Over Expenditures/Encumbrances and Other Financing Uses								
	(39)	(860)	(3,034)	(3,933)	(855)	<u>\$ 3,078</u>		
Fund Balances - Budgeted Fund								
Beginning of Year	--	860	--	860	20,216			
Fund Balances - Non-Budgeted Fund								
Beginning of Year					5,096			
Net Increase in Fund Balances - Non-Budgeted Fund								
Cancellation of Reserves/Designations	--	--	3,034	3,034	(16,123)			
Fund Balance Reserved for Encumbrances	39	--	--	39	131			
Provisions for Reserves and/or Designations	--	--	--	--	15,992			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 28,708</u>			
Other Governmental Resources								
Revenues and Other Financing Sources								
Use of Money and Property		\$ 1,306	\$ --	\$ 1,306	\$ 1,162	\$ (144)		
Intergovernmental Revenues		1,845	--	1,845	1,823	(22)		
Charges for Services		60	--	60	63	3		
Other Revenues		9	--	9	39	30		
Transfers In		200	--	200	1	(199)		
Total Revenues and Other Financing Sources		<u>3,420</u>	<u>--</u>	<u>3,420</u>	<u>3,088</u>	<u>(332)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Remittance Processing								
Equipment Replacement	\$ --	656	--	656	313	343	--	343
Property Tax Administration								
State Grant	11	3,019	--	3,030	1,936	1,094	11	1,083
Assessor Property Characteristic	--	60	--	60	32	28	--	28
Revenue Neutrality Trust	--	1,024	124	1,148	932	216	--	216
Deferred Compensation								
Reimbursement - CEO	--	1,961	44	2,005	1,442	563	--	563
Total Expenditures/Encumbrances and Other Financing Uses	<u>11</u>	<u>6,720</u>	<u>168</u>	<u>6,899</u>	<u>4,655</u>	<u>2,244</u>	<u>\$ 11</u>	<u>\$ 2,233</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	(11)	(3,300)	(168)	(3,479)	(1,567)	<u>\$ 1,912</u>		
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	2,786	--	2,786	29,603			
Fund Balance Reserved for Encumbrances	11	--	--	11	11			
Provisions for Reserves and/or Designations	--	(2,083)	--	(2,083)	26,140			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 28,036</u>			

County of Orange
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BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 FOR THE YEAR ENDED JUNE 30, 2008
 (In Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues	Variance	Variance	
	Encumbrances						Budget	Adjustments
	July 1, 2007				on Budgetary Basis	(Negative)	June 30, 2008	Appropriations
Redevelopment Agency Bonds								
Revenues								
and Other Financing Sources								
Taxes		\$ 26,804	\$ --	\$ 26,804	\$ 32,107	\$ 5,303		
Fines, Forfeitures and Penalties		19	--	19	66	47		
Use of Money and Property		955	--	955	2,001	1,046		
Intergovernmental Revenues		303	--	303	317	14		
Other Revenues		7	--	7	196	189		
Transfers In		1,548	--	1,548	1,540	(8)		
Total Revenues								
and Other Financing Sources		29,636	--	29,636	36,227	6,591		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Orange County Development								
Agency Debt Service -								
Santa Ana Heights								
	\$ --	12,781	(1)	12,780	8,284	4,496	\$ --	\$ 4,496
Orange County Development								
Agency - Neighborhood								
Development and Preservation								
Project, Debt Service								
	--	19,337	--	19,337	13,124	6,213	--	6,213
Total Expenditures/Encumbrances								
and Other Financing Uses								
	--	32,118	(1)	32,117	21,408	10,709	\$ --	\$ 10,709
Excess (Deficit) of Revenues								
and Other Financing Sources								
Over Expenditures/Encumbrances								
and Other Financing Uses								
	--	(2,482)	1	(2,481)	14,819	\$ 17,300		
Fund Balances - Beginning of Year								
	--	17,926	--	17,926	33,827			
Cancellation of Reserves/Designations								
	--	--	--	--	(48,663)			
Provisions for Reserves								
and/or Designations								
	--	(15,444)	(1)	(15,445)	48,663			
Fund Balances - End of Year								
	\$ --	\$ --	\$ --	\$ --	\$ 48,646			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2008	Unspent Appropriations
<u>Pension Obligation Bonds</u>								
Revenues								
Use of Money and Property		\$ 8,205	\$ --	\$ 8,205	\$ 17,581	\$ 9,376		
Total Revenues		<u>8,205</u>	<u>--</u>	<u>8,205</u>	<u>17,581</u>	<u>9,376</u>		
Expenditures/Encumbrances								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	21,583	--	21,583	21,546	37	\$ --	\$ 37
Total Expenditures/Encumbrances	<u>--</u>	<u>21,583</u>	<u>--</u>	<u>21,583</u>	<u>21,546</u>	<u>37</u>	<u>\$ --</u>	<u>\$ 37</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	(13,378)	--	(13,378)	(3,965)	<u>\$ 9,413</u>		
Fund Balances - Beginning of Year	--	462	--	462	202,860			
Cancellation of Reserves/Designations	--	12,916	--	12,916	(198,896)			
Provisions for Reserves and/or Designations	--	--	--	--	198,896			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 198,895</u>			
<u>Orange County Special</u>								
<u>Financing Authority</u>								
Revenues								
and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 51,169	\$ --	\$ 51,169	\$ 16,219	\$ (34,950)		
Use of Money and Property		4,500	--	4,500	3,819	(681)		
Transfer In		--	2,500	2,500	2,499	(1)		
Total Revenues and Other Financing Sources		<u>55,669</u>	<u>2,500</u>	<u>58,169</u>	<u>22,537</u>	<u>(35,632)</u>		
Expenditures/Encumbrances								
General Government:								
Orange County Special								
Financing Authority	\$ --	95,963	36,020	131,983	15,530	116,453	\$ --	\$ 116,453
Total Expenditures/Encumbrances	<u>--</u>	<u>95,963</u>	<u>36,020</u>	<u>131,983</u>	<u>15,530</u>	<u>116,453</u>	<u>\$ --</u>	<u>\$ 116,453</u>
Excess (Deficit) of Revenues and Other Financing Sources								
Over Expenditures/Encumbrances	--	(40,294)	(33,520)	(73,814)	7,007	<u>\$ 80,821</u>		
Fund Balances - Beginning of Year	--	3,325	--	3,325	143,615			
Cancellation of Reserves/Designations	--	36,969	33,520	70,489	(150,623)			
Provisions for Reserves and/or Designations	--	--	--	--	150,623			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 150,622</u>			

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

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2008	Unspent Appropriations
Criminal Justice Facilities								
Revenues and Other								
Financing Sources								
Fines, Forfeitures and Penalties		\$ 8,069	\$ --	\$ 8,069	\$ 9,391	\$ 1,322		
Use of Money and Property		1,976	--	1,976	2,903	927		
Intergovernmental Revenues		--	--	--	3	3		
Other Revenues		10	--	10	45	35		
Transfers In		14,852	(5,276)	9,576	2,314	(7,262)		
Total Revenues and Other Financing Sources		<u>24,907</u>	<u>(5,276)</u>	<u>19,631</u>	<u>14,656</u>	<u>(4,975)</u>		
Expenditures/Encumbrances and Other Financing Uses								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$ 3,165	10,788	(26)	13,927	6,362	7,565	\$ 491	\$ 7,074
Courthouse Temporary Construction	--	4,730	683	5,413	4,518	895	--	895
Sheriff-Coroner Construction and Facility Development	2,896	49,328	1,569	53,793	4,464	49,329	4,779	44,550
Theo Lacy Jail Construction	1,006	86	696	1,788	611	1,177	598	579
Total Expenditures/Encumbrances and Other Financing Uses	<u>7,067</u>	<u>64,932</u>	<u>2,922</u>	<u>74,921</u>	<u>15,955</u>	<u>58,966</u>	<u>\$ 5,868</u>	<u>\$ 53,098</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(7,067)	(40,025)	(8,198)	(55,290)	(1,299)	<u>\$ 53,991</u>		
Fund Balances - Beginning of Year	--	40,025	--	40,025	55,280			
Cancellation of Reserves/Designations	--	--	8,198	8,198	(5,868)			
Fund Balance Reserved for Encumbrances	<u>7,067</u>	--	--	<u>7,067</u>	<u>5,868</u>			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 53,981</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, 2007						Budget	Adjustments
Redevelopment Agency								
Revenues and Other								
Financing Sources								
Use of Money and Property		\$ 1,520	\$ --	\$ 1,520	\$ 1,435	\$ (85)		
Other Revenues		--	--	--	464	464		
Transfers In		1,450	--	1,450	--	(1,450)		
Total Revenues and Other Financing Sources		<u>2,970</u>	<u>--</u>	<u>2,970</u>	<u>1,899</u>	<u>(1,071)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Development								
Agency - Santa Ana Heights 1993 Bond Issue	\$ 2,844	10,535	171	13,550	901	12,649	\$ 2,733	\$ 9,916
Orange County Development								
Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing	--	225	7	232	--	232	--	232
Orange County Development								
Agency - Santa Ana Heights Surplus	29	17,520	(1,625)	15,924	6,573	9,351	--	9,351
Orange County Development								
Agency - Neighborhood Development and Preservation Projects, 1992 Issue A	25	837	119	981	250	731	20	711
Neighborhood Development and Preservation Project - Low/Moderate Income Housing, 1992 Issue A								
	4	3,001	14	3,019	47	2,972	--	2,972
Orange County Development								
Agency - Neighborhood Development and Preservation Projects, 1992 Issue B	5	419	11	435	207	228	--	228
Orange County Development								
Agency - Neighborhood Development and Preservation Projects, 1992 Issue B Low/Moderate Income Housing	5	857	(769)	93	--	93	--	93
Orange County Development								
Agency-Neighborhood Preservation and Development Construction	--	433	21	454	3	451	--	451
Orange County Development								
Agency - Neighborhood Development and Preservation Project Surplus	49	3,078	(249)	2,878	496	2,382	--	2,382
Total Expenditures/Encumbrances and Other Financing Uses	<u>2,961</u>	<u>36,905</u>	<u>(2,300)</u>	<u>37,566</u>	<u>8,477</u>	<u>29,089</u>	<u>\$ 2,753</u>	<u>\$ 26,336</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(2,961)	(33,935)	2,300	(34,596)	(6,578)	<u>28,018</u>		
Fund Balances - Beginning of Year	--	33,935	--	33,935	42,712			
Cancellation of Reserves/Designations	--	--	--	--	(10,501)			
Fund Balance Reserved for Encumbrances	2,961	--	--	2,961	2,753			
Provisions for Reserves and/or Designations	--	--	(2,300)	(2,300)	7,748			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 36,134</u>			

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

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2007						Budget	Adjustments
Special Assessment Districts, Community Facilities Districts, and Service Areas								
Revenues								
Use of Money and Property		\$ 3,310	\$ --	\$ 3,310	\$ 5,730	\$ 2,420		
Other Revenues		--	--	--	49	49		
Total Revenues		<u>3,310</u>	<u>--</u>	<u>3,310</u>	<u>5,779</u>	<u>2,469</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Aliso Viejo Community Facilities								
District 88-1(A) 1992-Construction	\$ --	5,837	53	5,890	17	5,873	\$ --	\$ 5,873
Special Assessment-Top of the World Improvement								
CFD 99-1, Ladera Construction	--	51	--	51	--	51	--	51
Series A of 1999 Construction								
Rancho Santa Margarita Community Facilities District 86-2, Series A of 1998 Construction	--	303	55	358	1	357	--	357
Rancho Santa Margarita Community Facilities District 86-1, Series A of 1998 Construction								
CFD 2002-1 Ladera Construction	--	1,572	13	1,585	2	1,583	--	1,583
Lomas Laguna Community Facilities District 88-2 Construction								
Baker Ranch Community Facilities District 87-6 Construction	--	203	1	204	--	204	--	204
Santa Teresita Community Facilities District 87-9 Construction								
Newport Coast IV Construction 01-1	--	18,925	(2,254)	16,671	5,744	10,927	--	10,927
Newport Coast Construction 01-1 GR-2								
Newport Coast Construction 01-1	--	390	3	393	--	393	--	393
Mission Viejo Community Facilities District 87-3(A) 90 Construction								
CFD 2004-1 Ladera Construction	--	65	1	66	--	66	--	66
CFD 01-1 Ladera Construction Series A of 2001 Construction								
Santa Teresita Community Facilities District 87-9(A) 1991 Construction	--	94	(59)	35	15	20	--	20
CFD 00-1, Ladera Construction Series A of 2000 Construction								
Newport Ridge Construction 92-1	--	2,368	(1,770)	598	71	527	--	527
Foothill Ranch Community Facilities District 87-4(A) 94 Construction								
CFD 2003-1, Ladera Construction	--	7,082	3,646	10,728	1,078	9,650	--	9,650
Rancho Santa Margarita Community Facilities District 87-5C, Series A of 1994 Construction								
Coto de Caza Community Facilities District 87-8(A) 94 Construction	--	15	1	16	--	16	--	16
Public Ways and Facilities:								
County Infrastructure Project	--	60,918	4,843	65,761	4,808	60,953	--	60,953
Total Expenditures/Encumbrances and Other Financing Uses								
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	2,867	(1,174)	1,693	1,600	93	--	93
County Infrastructure Project								
County Infrastructure Project	--	136	1	137	--	137	--	137
Total Expenditures/Encumbrances and Other Financing Uses								
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	1,559	16	1,575	--	1,575	--	1,575
County Infrastructure Project								
County Infrastructure Project	--	104	1	105	--	105	--	105
Total Expenditures/Encumbrances and Other Financing Uses								
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	139	(2)	137	3	134	--	134
County Infrastructure Project								
County Infrastructure Project	--	380	4	384	1	383	--	383
Total Expenditures/Encumbrances and Other Financing Uses								
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	37,585	477	38,062	20,416	17,646	--	17,646
County Infrastructure Project								
County Infrastructure Project	--	71	--	71	--	71	--	71
Total Expenditures/Encumbrances and Other Financing Uses								
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	65	1	66	--	66	--	66
County Infrastructure Project								
County Infrastructure Project	--	5,073	36	5,109	--	5,109	--	5,109
Total Expenditures/Encumbrances and Other Financing Uses								
Excess (Deficit) of Revenues Over Expenditures/Encumbrances	--	146,324	3,897	150,221	33,756	116,465	\$ --	\$ 116,465
Fund Balances - Beginning of Year								
Cancellation of Reserves/Designations	--	143,164	--	143,164	149,284	(2,450)		
Provisions for Reserves and/or Designations								
Fund Balances - End of Year	\$ --	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 121,307</u>			

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

	Open Encumbrances July 1, 2007	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2008	Unspent Appropriations
Permanent Fund								
Revenues								
Use of Money and Property		\$ 14	\$ --	\$ 14	\$ 11	\$ (3)		
Other Revenues		1	--	1	3	2		
Total Revenues		<u>15</u>	<u>--</u>	<u>15</u>	<u>14</u>	<u>(1)</u>		
Expenditures/Encumbrances								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	15	--	15	--	15	\$ --	\$ 15
Total Expenditures/Encumbrances	--	<u>15</u>	<u>--</u>	<u>15</u>	--	<u>15</u>	<u>\$ --</u>	<u>\$ 15</u>
Excess (Deficit) of Revenues								
Over Expenditures/Encumbrances	--	--	--	--	14	<u>\$ 14</u>		
Fund Balances - Beginning of Year	--	10	--	10	125			
Cancellation of Reserves/Designations	--	--	--	--	(123)			
Provisions for Reserves and/or Designations	--	(10)	--	(10)	123			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 139</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.

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS

<u>ASSETS</u>	<u>Total</u>	<u>Health and Other Self-Insured Employee Benefits</u>	<u>HMO Health Insurance</u>
Current Assets			
Pooled Cash/Investments	\$ 216,212	\$ 48,327	\$ 3,542
Restricted Cash and Investments with Trustee	1,943	--	--
Imprest Cash Funds	133	125	--
Receivables			
Accounts Receivable	406	--	151
Interest/Dividends	725	181	--
Allowance for Uncollectible Receivables	(2)	(1)	--
Due from Other Funds	5,614	1,417	--
Due from Component Unit	2	--	--
Due from Other Governmental Agencies	94	--	--
Inventory of Materials and Supplies	250	--	--
Prepaid Costs	48	--	--
Total Current Assets	<u>225,425</u>	<u>50,049</u>	<u>3,693</u>
Noncurrent Assets			
Capital Assets			
Construction in Progress	1,457	--	--
Structures and Improvements	4,860	--	--
Accumulated Depreciation	(3,975)	--	--
Equipment	81,074	--	--
Accumulated Depreciation	(60,737)	--	--
Total Capital Assets	<u>22,679</u>	<u>--</u>	<u>--</u>
Total Assets	<u>248,104</u>	<u>50,049</u>	<u>3,693</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	4,851	110	--
Salaries and Employee Benefits Payable	448	--	--
Due to Other Funds	790	4	--
Due to Other Governmental Agencies	3	--	--
Insurance Claims Payable	47,285	9,336	--
Compensated Employee Absences Payable	910	--	--
Capital Lease Obligations Payable	1,390	--	--
Total Current Liabilities	<u>55,677</u>	<u>9,450</u>	<u>--</u>
Noncurrent Liabilities			
Insurance Claims Payable	99,531	--	--
Compensated Employee Absences Payable	484	--	--
Total Noncurrent Liabilities	<u>100,015</u>	<u>--</u>	<u>--</u>
Total Liabilities	<u>155,692</u>	<u>9,450</u>	<u>--</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	21,290	--	--
Unrestricted	71,122	40,599	3,693
Total Net Assets	<u>\$ 92,412</u>	<u>\$ 40,599</u>	<u>\$ 3,693</u>

Supplemental Information
(Dollar Amounts in Thousands)

<u>Life Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	
\$ 171	\$ 97,257	\$ 9,973	
1,943	--	--	
--	--	--	
--	--	--	
--	356	38	
--	--	--	
--	115	--	
--	--	--	
--	--	--	
--	--	--	
<u>2,114</u>	<u>97,728</u>	<u>10,011</u>	
			<u>ASSETS</u>
			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
			<u>LIABILITIES</u>
			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
			Total Noncurrent Liabilities
			Total Liabilities
			<u>NET ASSETS</u>
			Invested in Capital Assets, Net of Related Debt
			Unrestricted
			Total Net Assets
--	--	--	
2,114	(14,362)	9,220	
<u>\$ 2,114</u>	<u>\$ (14,362)</u>	<u>\$ 9,220</u>	

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

COMBINING STATEMENT OF NET ASSETS (Continued)
 INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
ASSETS				
Current Assets				
Pooled Cash/Investments	\$ 33,035	\$ 10,568	\$ 1,194	\$ 12,145
Restricted Cash and Investments with Trustee	--	--	--	--
Imprest Cash Funds	5	--	--	3
Receivables				
Accounts Receivable	6	247	2	--
Interest/Dividends	67	38	4	41
Allowance for Uncollectible Receivables	--	--	--	(1)
Due from Other Funds	9	3,064	--	1,009
Due from Component Unit	--	--	--	2
Due from Other Governmental Agencies	--	1	28	65
Inventory of Materials and Supplies	--	250	--	--
Prepaid Costs	--	48	--	--
Total Current Assets	<u>33,122</u>	<u>14,216</u>	<u>1,228</u>	<u>13,264</u>
Noncurrent Assets				
Capital Assets				
Construction in Progress	--	1,098	--	359
Structures and Improvements	--	4,860	--	--
Accumulated Depreciation	--	(3,975)	--	--
Equipment	5	30,983	1,642	48,439
Accumulated Depreciation	(5)	(20,223)	(731)	(39,773)
Total Capital Assets	<u>--</u>	<u>12,743</u>	<u>911</u>	<u>9,025</u>
Total Assets	<u>33,122</u>	<u>26,959</u>	<u>2,139</u>	<u>22,289</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	579	692	117	2,247
Salaries and Employee Benefits Payable	35	186	46	163
Due to Other Funds	15	463	113	105
Due to Other Governmental Agencies	--	--	3	--
Insurance Claims Payable	11,500	--	--	--
Compensated Employee Absences Payable	79	356	87	330
Capital Lease Obligations Payable	--	--	--	1,390
Total Current Liabilities	<u>12,208</u>	<u>1,697</u>	<u>366</u>	<u>4,235</u>
Noncurrent Liabilities				
Insurance Claims Payable	14,406	--	--	--
Compensated Employee Absences Payable	59	155	50	185
Total Noncurrent Liabilities	<u>14,465</u>	<u>155</u>	<u>50</u>	<u>185</u>
Total Liabilities	<u>26,673</u>	<u>1,852</u>	<u>416</u>	<u>4,420</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	--	12,743	911	7,636
Unrestricted	6,449	12,364	812	10,233
Total Net Assets	<u>\$ 6,449</u>	<u>\$ 25,107</u>	<u>\$ 1,723</u>	<u>\$ 17,869</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	\$ 2,324	\$ --	\$ --
Charges for Services	75,895	--	--
Insurance Premiums	228,179	79,386	102,183
Total Operating Revenues	<u>306,398</u>	<u>79,386</u>	<u>102,183</u>
Operating Expenses			
Salaries and Employee Benefits	16,448	--	--
Services and Supplies	33,589	2,345	--
Professional Services	40,649	3,573	4
Operating Leases	4,673	--	--
Insurance Claims and Premiums	191,602	57,519	102,041
Other Charges	78,145	78,136	--
Depreciation	5,633	--	--
Total Operating Expenses	<u>370,739</u>	<u>141,573</u>	<u>102,045</u>
Operating Income (Loss)	<u>(64,341)</u>	<u>(62,187)</u>	<u>138</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	1,428	1,278	150
Interest Revenue	10,334	3,727	181
Interest Expense	(295)	--	--
Gain (Loss) on Disposition of Capital Assets	77	--	--
Other Revenue - Net	1,467	--	--
Total Nonoperating Revenues	<u>13,011</u>	<u>5,005</u>	<u>331</u>
Income (Loss) Before Contributions and Transfers	(51,330)	(57,182)	469
Capital Contributions	198	--	--
Transfers In	2,873	1,417	4
Transfers Out	(188)	--	(180)
Increase (Decrease) in Net Assets	<u>(48,447)</u>	<u>(55,765)</u>	<u>293</u>
Net Assets - Beginning of Year	140,859	96,364	3,400
Net Assets - End of Year	<u>\$ 92,412</u>	<u>\$ 40,599</u>	<u>\$ 3,693</u>

Supplemental Information
(Dollar Amounts in Thousands)

<u>Life Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	
\$ --	--	\$ --	Operating Revenues
--	--	--	Use of Money and Property
1,052	24,982	1,063	Charges for Services
<u>1,052</u>	<u>24,982</u>	<u>1,063</u>	Insurance Premiums
			Total Operating Revenues
--	764	--	Operating Expenses
--	195	--	Salaries and Employee Benefits
--	3,376	112	Services and Supplies
--	129	--	Professional Services
1,369	30,080	593	Operating Leases
--	--	--	Insurance Claims and Premiums
--	--	--	Other Charges
<u>1,369</u>	<u>34,544</u>	<u>705</u>	Depreciation
<u>(317)</u>	<u>(9,562)</u>	<u>358</u>	Total Operating Expenses
			Operating Income (Loss)
--	--	--	Nonoperating Revenues (Expenses)
88	3,866	409	Intergovernmental Revenues
--	--	--	Interest Revenue
--	--	--	Interest Expense
--	347	--	Gain (Loss) on Disposition of Capital Assets
<u>88</u>	<u>4,213</u>	<u>409</u>	Other Revenue - Net
			Total Nonoperating Revenues
(229)	(5,349)	767	Income (Loss) Before Contributions and Transfers
--	--	--	Capital Contributions
--	503	--	Transfers In
<u>(8)</u>	<u>--</u>	<u>--</u>	Transfers Out
<u>(237)</u>	<u>(4,846)</u>	<u>767</u>	Increase (Decrease) in Net Assets
2,351	(9,516)	8,453	Net Assets - Beginning of Year
<u>\$ 2,114</u>	<u>(14,362)</u>	<u>\$ 9,220</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	\$ --	\$ --	\$ --	\$ 2,324
Charges for Services	--	22,427	4,182	49,286
Insurance Premiums	19,513	--	--	--
Total Operating Revenues	<u>19,513</u>	<u>22,427</u>	<u>4,182</u>	<u>51,610</u>
Operating Expenses				
Salaries and Employee Benefits	1,198	6,776	1,721	5,989
Services and Supplies	11,157	9,029	1,046	9,817
Professional Services	364	1,743	405	31,072
Operating Leases	89	122	691	3,642
Insurance Claims and Premiums	--	--	--	--
Other Charges	--	6	3	--
Depreciation	--	3,466	113	2,054
Total Operating Expenses	<u>12,808</u>	<u>21,142</u>	<u>3,979</u>	<u>52,574</u>
Operating Income (Loss)	<u>6,705</u>	<u>1,285</u>	<u>203</u>	<u>(964)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenues	--	--	--	--
Interest Revenue	1,080	376	35	572
Interest Expense	--	--	--	(295)
Gain (Loss) on Disposition of Capital Assets	--	79	(2)	--
Other Revenue - Net	433	321	314	52
Total Nonoperating Revenues	<u>1,513</u>	<u>776</u>	<u>347</u>	<u>329</u>
Income (Loss) Before Contributions and Transfers	8,218	2,061	550	(635)
Capital Contributions	--	198	--	--
Transfers In	--	949	--	--
Transfers Out	--	--	--	--
Increase (Decrease) in Net Assets	<u>8,218</u>	<u>3,208</u>	<u>550</u>	<u>(635)</u>
Net Assets - Beginning of Year	(1,769)	21,899	1,173	18,504
Net Assets - End of Year	<u>\$ 6,449</u>	<u>\$ 25,107</u>	<u>\$ 1,723</u>	<u>\$ 17,869</u>



County of Orange
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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	\$ 81,223	\$ 2,234	\$ (150)	\$ --
Cash Received for Premiums Within the County's Entity	228,179	79,386	102,183	1,052
Payments to Suppliers for Goods and Services	(272,662)	(66,848)	(102,048)	(1,369)
Payments to Employees for Services	(16,563)	--	--	--
Payments for Interfund Services Provided	(716)	(133)	--	--
Cash Receipts for Interfund Services Provided	662	346	--	--
Other Receipts	755	--	--	--
OPEB Contributions to Retirement Medical Trust	(82,105)	(78,135)	--	--
Net Cash Provided (Used) by Operating Activities	<u>(61,227)</u>	<u>(63,150)</u>	<u>(15)</u>	<u>(317)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	507	--	4	--
Transfers Out	(188)	--	(180)	(8)
Intergovernmental Revenues	1,428	1,278	150	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,747</u>	<u>1,278</u>	<u>(26)</u>	<u>(8)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(5,488)	--	--	--
Interest Paid on Long-Term Debt	(295)	--	--	--
Principal Paid on Capital Lease Obligations	(1,335)	--	--	--
Proceeds from Sale of Capital Assets	192	--	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(6,926)</u>	<u>--</u>	<u>--</u>	<u>--</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	11,520	4,322	180	88
Net Cash Provided by Investing Activities	<u>11,520</u>	<u>4,322</u>	<u>180</u>	<u>88</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54,886)	(57,550)	139	(237)
Cash and Cash Equivalents - Beginning of Year	273,174	106,002	3,403	2,351
Cash and Cash Equivalents - End of Year	<u>\$ 218,288</u>	<u>\$ 48,452</u>	<u>\$ 3,542</u>	<u>\$ 2,114</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (64,341)	\$ (62,187)	\$ 138	\$ (317)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	5,633	--	--	--
Other Revenue - net	1,467	--	--	--
(Increases) Decreases In:				
Accounts Receivable	626	817	(150)	--
Due from Other Funds	81	346	--	--
Due from Other Governmental Agencies	2,375	1,417	--	--
Prepaid Expenses	(2)	--	--	--
Inventory of Materials and Supplies	(26)	--	--	--
Increases (Decreases) In:				
Accounts Payable	(4,282)	(3,556)	--	--
Salaries and Employee Benefits Payable	59	--	--	--
Due to Other Funds	(135)	(133)	--	--
Due to Other Governmental Agencies	(1,714)	(1,709)	(3)	--
Insurance Claims Payable	(794)	1,855	--	--
Compensated Employee Absences Payable	(174)	--	--	--
Total Adjustments	<u>3,114</u>	<u>(963)</u>	<u>(153)</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (61,227)</u>	<u>\$ (63,150)</u>	<u>\$ (15)</u>	<u>\$ (317)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Pooled Cash/Investments	\$ 216,212	\$ 48,327	\$ 3,542	\$ 171
Imprest Cash Funds	133	125	--	--
Restricted Cash and Investments with Trustee	1,943	--	--	1,943
Total Cash and Cash Equivalents	<u>\$ 218,288</u>	<u>\$ 48,452</u>	<u>\$ 3,542</u>	<u>\$ 2,114</u>

Workers' Compensation	Unemployment Insurance	Property & Casualty Risk																																																																																										
<table border="0" style="width: 100%;"> <tr><td style="width: 50%;">\$ --</td><td style="width: 50%;">\$ --</td></tr> <tr><td style="width: 50%;">24,982</td><td style="width: 50%;">1,063</td></tr> <tr><td style="width: 50%;">(27,537)</td><td style="width: 50%;">(982)</td></tr> <tr><td style="width: 50%;">(781)</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;">(33)</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;">--</td><td style="width: 50%;">29</td></tr> <tr><td style="width: 50%;">218</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;">--</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;"><u>(3,151)</u></td><td style="width: 50%;"><u>110</u></td></tr> <tr><td style="width: 50%;">503</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;">--</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;">--</td><td style="width: 50%;">--</td></tr> <tr><td style="width: 50%;"><u>503</u></td><td 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<p>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</p> <ul style="list-style-type: none"> Acquisition of Capital Assets Interest Paid on Long-Term Debt Principal Paid on Capital Lease Obligations Proceeds from Sale of Capital Assets Net Cash Used by Capital and Related Financing Activities <p>CASH FLOW FROM INVESTING ACTIVITIES</p> <ul style="list-style-type: none"> Interest on Investments Net Cash Provided by Investing Activities <p>Net Increase (Decrease) in Cash and Cash Equivalents</p> <p>Cash and Cash Equivalents - Beginning of Year</p> <p>Cash and Cash Equivalents - End of Year</p>
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County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2008

COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 23,329	\$ 4,206	\$ 51,565
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(10,677)	(1,837)	(41,284)
Payments to Employees for Services	(6,818)	(1,720)	(5,988)
Payments for Interfund Services Provided	(2)	(8)	(343)
Cash Receipts for Interfund Services Provided	194	89	--
Other Receipts	193	--	--
OPEB Contributions to Retirement Medical Trust	--	(380)	(3,590)
Net Cash Provided (Used) by Operating Activities	<u>6,219</u>	<u>350</u>	<u>360</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	--	--	--
Transfers Out	--	--	--
Intergovernmental Revenues	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(3,935)	--	(1,553)
Interest Paid on Long-Term Debt	--	--	(295)
Principal Paid on Capital Lease Obligations	--	--	(1,335)
Proceeds from Sale of Capital Assets	192	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(3,743)</u>	<u>--</u>	<u>(3,183)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	391	39	640
Net Cash Provided by Investing Activities	<u>391</u>	<u>39</u>	<u>640</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,867	389	(2,183)
Cash and Cash Equivalents - Beginning of Year	7,701	805	14,331
Cash and Cash Equivalents - End of Year	<u>\$ 10,568</u>	<u>\$ 1,194</u>	<u>\$ 12,148</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 1,285	\$ 203	\$ (964)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,466	113	2,054
Other Revenue - net	321	314	52
(Increases) Decreases In:			
Accounts Receivable	(48)	--	--
Due from Other Funds	(2)	89	(340)
Due from Other Governmental Agencies	948	23	(45)
Prepaid Expenses	(2)	--	--
Inventory of Materials and Supplies	(26)	--	--
Increases (Decreases) In:			
Accounts Payable	125	(384)	(394)
Salaries and Employee Benefits Payable	34	5	20
Due to Other Funds	194	(8)	(3)
Due to Other Governmental Agencies	--	(1)	(1)
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	(76)	(4)	(19)
Total Adjustments	<u>4,934</u>	<u>147</u>	<u>1,324</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,219</u>	<u>\$ 350</u>	<u>\$ 360</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Pooled Cash/Investments	\$ 10,568	\$ 1,194	\$ 12,145
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	<u>\$ 10,568</u>	<u>\$ 1,194</u>	<u>\$ 12,148</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, 2008
(In Thousands)**

	Total	Unapportioned Tax and Interest Funds	Departmental Funds
ASSETS			
Pooled Cash/Investments	\$ 376,817	\$ 132,936	\$ 243,881
Imprest Cash Funds	147	--	147
Restricted Cash and Investments with Trustee	52,459	--	52,459
Investments	9,973	--	9,973
Deposits In-Lieu of Cash	14,290	--	14,290
Receivables			
Accounts	14,539	7,527	7,012
Taxes	361,560	361,560	--
Interest/Dividends	12,838	11,652	1,186
Deposits	602	--	602
Allowance For Uncollectible Receivables	(4)	(2)	(2)
Due from Other Governmental Agencies	20,059	550	19,509
Prepaid Costs	20,714	--	20,714
Notes Receivable	13,891	--	13,891
Total Assets	\$ 897,885	\$ 514,223	\$ 383,662
LIABILITIES			
Interest Payable	10,913	10,913	--
Deposits from Others	27,896	--	27,896
Monies Held for Others	317,244	--	317,244
Due to Other Governmental Agencies	42,286	3,764	38,522
Unapportioned Taxes	499,546	499,546	--
Total Liabilities	\$ 897,885	\$ 514,223	\$ 383,662

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

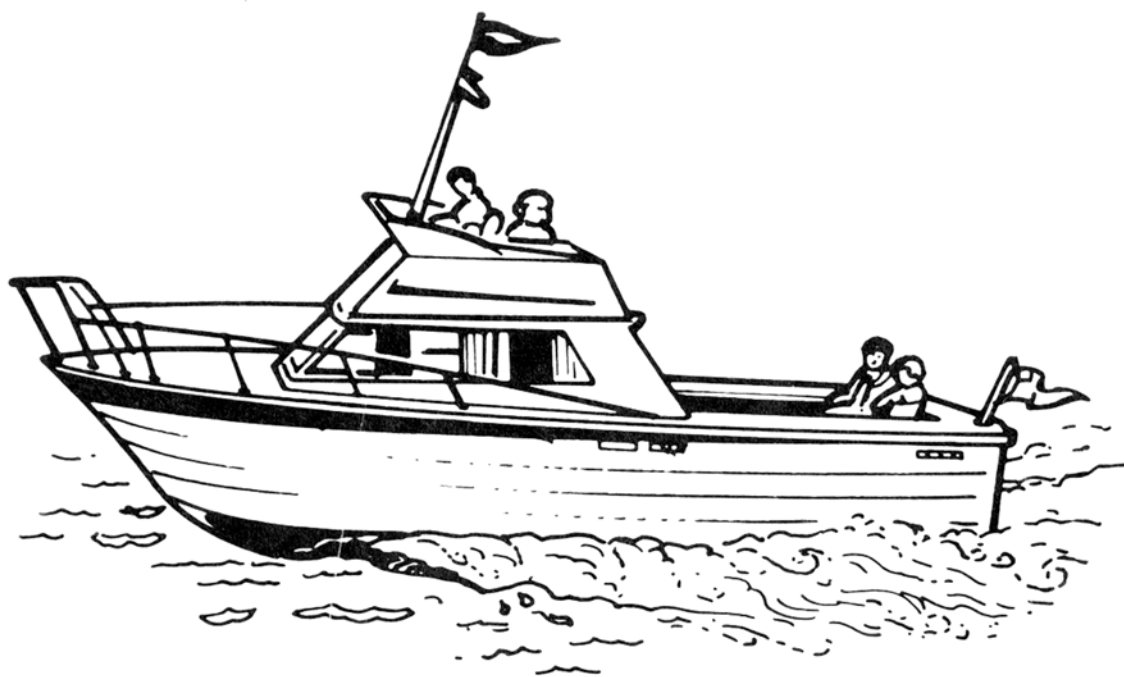
UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 168,841	\$ 6,370,657	\$ 6,406,562	\$ 132,936
Receivables				
Accounts	7,556	7,525	7,554	7,527
Taxes	300,502	14,808,336	14,747,278	361,560
Interest	19,269	255,414	263,031	11,652
Allowance for Uncollectible Receivables	(2)	--	--	(2)
Due from Other Funds	--	14,750	14,750	--
Due from Other Governmental Agencies	3,027	2,465	4,942	550
Total Assets	<u>\$ 499,193</u>	<u>\$ 21,459,147</u>	<u>\$ 21,444,117</u>	<u>\$ 514,223</u>
LIABILITIES				
Accounts Payable	\$ 34,288	\$ 1,581,827	\$ 1,616,115	\$ --
Interest Payable	24,045	149,007	162,139	10,913
Monies Held for Others	--	10,012	10,012	--
Due to Other Funds	--	23,835	23,835	--
Due to Other Governmental Agencies	28,417	200,664	225,317	3,764
Unapportioned Taxes	412,443	6,615,225	6,528,122	499,546
Deferred Revenue	--	16	16	--
Total Liabilities	<u>\$ 499,193</u>	<u>\$ 8,580,586</u>	<u>\$ 8,565,556</u>	<u>\$ 514,223</u>

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 87,221	\$ 3,119,881	\$ 2,963,221	\$ 243,881
Imprest Cash Funds	--	247	100	147
Restricted Cash and Investments with Trustee	1,206	66,507	15,254	52,459
Investments	1,113	8,910	50	9,973
Deposits In-Lieu of Cash	14,570	6,359	6,639	14,290
Receivables				
Accounts	5	7,157	150	7,012
Taxes	194	--	194	--
Interest	429	5,282	4,525	1,186
Deposits	--	602	--	602
Allowance for Uncollectible Receivables	(1)	1	2	(2)
Due from Other Funds	--	733,745	733,745	--
Due from Other Governmental Agencies	3,186	21,102	4,779	19,509
Prepaid Costs	--	193,419	172,705	20,714
Notes Receivable	10,903	3,141	153	13,891
Total Assets	<u>\$ 118,826</u>	<u>\$ 4,166,353</u>	<u>\$ 3,901,517</u>	<u>\$ 383,662</u>
LIABILITIES				
Accounts Payable	\$ --	\$ 641,676	\$ 641,676	\$ --
Salaries and Employee Benefits Payable	--	7,276	7,276	--
Deposits From Others	225	61,492	33,821	27,896
Monies Held for Others	85,570	2,749,720	2,518,046	317,244
Due to Other Funds	--	144,605	144,605	--
Due to Other Governmental Agencies	33,031	704,948	699,457	38,522
Unapportioned Taxes	--	21,458	21,458	--
Deferred Revenue	--	231,970	231,970	--
Estimated Litigation Liability Claims	--	264	264	--
Total Liabilities	<u>\$ 118,826</u>	<u>\$ 4,563,409</u>	<u>\$ 4,298,573</u>	<u>\$ 383,662</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	\$ 256,062	\$ 9,490,538	\$ 9,369,783	\$ 376,817
Imprest Cash Funds	--	247	100	147
Restricted Cash and Investments with Trustee	1,206	66,507	15,254	52,459
Investments	1,113	8,910	50	9,973
Deposits In-Lieu of Cash	14,570	6,359	6,639	14,290
Receivables				
Accounts	7,561	14,682	7,704	14,539
Taxes	300,696	14,808,336	14,747,472	361,560
Interest	19,698	260,696	267,556	12,838
Deposits	--	602	--	602
Allowance for Uncollectible Receivables	(3)	1	2	(4)
Due from Other Funds	--	748,495	748,495	--
Due from Other Governmental Agencies	6,213	23,567	9,721	20,059
Prepaid Costs	--	193,419	172,705	20,714
Notes Receivable	10,903	3,141	153	13,891
Total Assets	<u>\$ 618,019</u>	<u>\$ 25,625,500</u>	<u>\$ 25,345,634</u>	<u>\$ 897,885</u>
LIABILITIES				
Accounts Payable	\$ 34,288	\$ 2,223,503	\$ 2,257,791	\$ --
Interest Payable	24,045	149,007	162,139	10,913
Salaries and Employee Benefits Payable	--	7,276	7,276	--
Deposits from Others	225	61,492	33,821	27,896
Monies Held for Others	85,570	2,759,732	2,528,058	317,244
Due to Other Funds	--	168,440	168,440	--
Due to Other Governmental Agencies	61,448	905,612	924,774	42,286
Unapportioned Taxes	412,443	6,636,683	6,549,580	499,546
Deferred Revenue	--	231,986	231,986	--
Estimated Litigation Liability Claims	--	264	264	--
Total Liabilities	<u>\$ 618,019</u>	<u>\$ 13,143,995</u>	<u>\$ 12,864,129</u>	<u>\$ 897,885</u>





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.

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<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	187
<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.	191
<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.	196
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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 Seven Fiscal Years
(Accrual Basis of Accounting)**

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Governmental Activities							
Invested in Capital Assets,							
Net of Related Debt	\$ 2,302,926	\$ 2,273,891	\$ 2,306,178	\$ 2,336,881	\$ 2,259,064	\$ 2,183,152	\$ 1,703,213
Restricted for:							
Expendable							
Other Post Employment							
Medical Benefits	46,442	--	--	--	--	--	--
Capital Projects	211,426	247,277	255,201	240,768	207,838	209,994	210,688
Debt Service	168,468	155,918	121,840	24,196	155,964	61,066	33,785
Legally Segregated							
Special Revenue Funds							
Restricted for							
Grants and							
Other Purposes	990,198	916,563	738,515	648,092	628,881	711,714	581,662
Nonexpendable							
Regional Park Endowment	139	125	109	97	91	87	82
Unrestricted	57,812	135,826	(33,051)	(44,929)	(280,592)	(374,852)	(363,291)
Total Governmental Activities							
Net Assets	<u>\$ 3,777,411</u>	<u>\$ 3,729,600</u>	<u>\$ 3,388,792</u>	<u>\$ 3,205,105</u>	<u>\$ 2,971,246</u>	<u>\$ 2,791,161</u>	<u>\$ 2,166,139</u>
Business-Type Activities							
Invested in Capital Assets,							
Net of Related Debt	\$ 395,227	\$ 359,544	\$ 343,390	\$ 335,795	\$ 315,335	\$ 293,959	\$ 240,969
Restricted for:							
Expendable							
Airport	218,293	194,038	146,332	113,402	97,573	77,931	90,410
Waste Management	294,068	292,847	264,502	233,999	217,194	201,698	192,022
Total Business-Type Activities							
Net Assets	<u>\$ 907,588</u>	<u>\$ 846,429</u>	<u>\$ 754,224</u>	<u>\$ 683,196</u>	<u>\$ 630,102</u>	<u>\$ 573,588</u>	<u>\$ 523,401</u>
Primary Government							
Invested in Capital Assets,							
Net of Related Debt	\$ 2,698,153	\$ 2,633,435	\$ 2,649,568	\$ 2,672,676	\$ 2,574,399	\$ 2,477,111	\$ 1,944,182
Restricted for:							
Expendable							
Other Post Employment							
Medical Benefits	46,442	--	--	--	--	--	--
Capital Projects	211,426	247,277	255,201	240,768	207,838	209,994	210,688
Debt Service	168,468	155,918	121,840	24,196	155,964	61,066	33,785
Legally Segregated							
Special Revenue Funds							
Restricted for							
Grants and							
Other Purposes	990,198	916,563	738,515	648,092	628,881	711,714	581,662
Airport	218,293	194,038	146,332	113,402	97,573	77,931	90,410
Waste Management	294,068	292,847	264,502	233,999	217,194	201,698	192,022
Nonexpendable							
Regional Park Endowment	139	125	109	97	91	87	82
Unrestricted	57,812	135,826	(33,051)	(44,929)	(280,592)	(374,852)	(363,291)
Total Primary Government							
Net Assets	<u>\$ 4,684,999</u>	<u>\$ 4,576,029</u>	<u>\$ 4,143,016</u>	<u>\$ 3,888,301</u>	<u>\$ 3,601,348</u>	<u>\$ 3,364,749</u>	<u>\$ 2,689,540</u>

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

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

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses							
Governmental Activities:							
General Government	\$ 264,049	\$ 281,739	\$ 227,536	\$ 171,771	\$ 170,820	\$ 193,192	\$ 182,237
Public Protection	1,164,458	1,055,593	972,996	947,698	905,229	892,817	863,159
Public Ways and Facilities	131,563	96,776	105,342	77,928	78,454	74,561	82,893
Health and Sanitation	576,160	527,541	467,640	455,059	447,743	441,047	430,954
Public Assistance	862,709	794,862	773,109	740,987	731,698	740,794	718,016
Education	37,728	32,722	40,452	30,641	31,978	29,108	28,583
Recreation and Cultural Services	75,612	80,279	72,535	73,530	76,249	70,273	70,875
Interest on Long-Term Debt	76,210	65,961	64,680	81,841	78,474	53,853	125,664
Subtotal Governmental Activities	<u>3,188,489</u>	<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	86,750	90,524	84,362	79,882	78,235	75,770	75,446
Waste Management	101,990	85,378	76,771	87,533	70,858	79,217	72,652
Subtotal Business-Type Activities	<u>188,740</u>	<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>\$ 3,377,229</u>	<u>\$ 3,111,375</u>	<u>\$ 2,885,423</u>	<u>\$ 2,746,870</u>	<u>\$ 2,669,738</u>	<u>\$ 2,650,632</u>	<u>\$ 2,650,479</u>
Program Revenues							
Governmental Activities:							
Charges for Services							
General Government	\$ 40,659	\$ 45,647	\$ 38,645	\$ 38,977	\$ 30,569	\$ 35,668	\$ 25,794
Public Protection	295,740	283,215	275,703	279,241	256,253	247,228	231,564
Public Ways and Facilities	45,898	41,014	42,483	34,884	44,728	33,516	29,900
Health and Sanitation	95,069	85,305	79,493	78,686	68,778	73,438	66,682
Public Assistance	6,360	5,372	4,709	3,794	3,436	4,607	3,899
Education	1,349	4,743	1,353	1,795	1,156	6,072	1,198
Recreation and Cultural Services	40,449	39,028	34,974	32,882	31,219	30,622	29,091
Operating Grants and Contributions	1,735,820	1,759,887	1,605,063	1,540,938	1,532,106	1,545,050	1,438,646
Capital Grants and Contributions	46,308	69,340	18,178	66,889	55,337	509,839 ⁽¹⁾	44,185
Subtotal Governmental Activities	<u>2,307,652</u>	<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	126,139	127,747	101,775	95,562	90,657	83,330	76,456
Waste Management	99,548	111,362	114,239	114,541	112,498	107,858	103,926
Operating Grants and Contributions	569 ⁽³⁾	691 ⁽³⁾	22,846	13,968	7,459	10,494	1,637
Capital Grants and Contributions	15,188	6,731	1,720	10,703	6,183	16,374	1,610
Subtotal Business-Type Activities	<u>241,444</u>	<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>\$ 2,549,096</u>	<u>\$ 2,580,082</u>	<u>\$ 2,341,181</u>	<u>\$ 2,312,860</u>	<u>\$ 2,240,379</u>	<u>\$ 2,704,096</u>	<u>\$ 2,054,588</u>

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

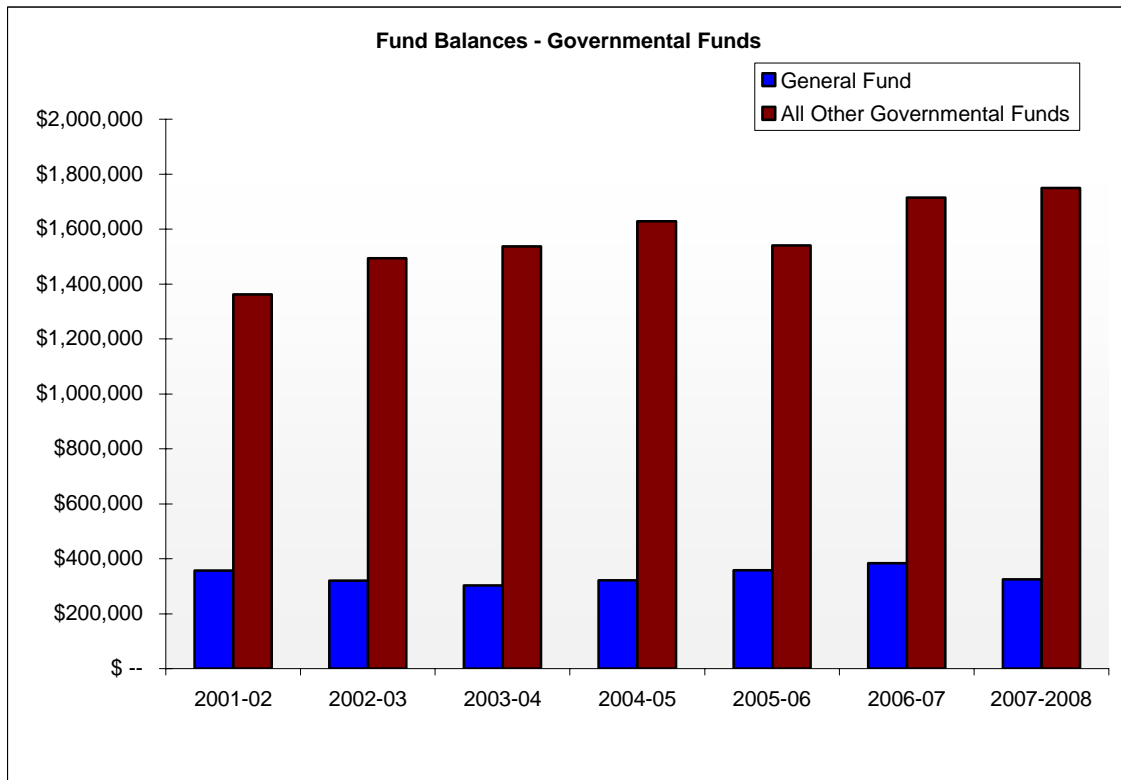
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Net (Expense)/Revenue							
Governmental Activities	\$ (880,837)	\$ (601,922)	\$ (623,689)	\$ (501,369)	\$ (497,063)	\$ (9,605)	\$ (631,422)
Business-Type Activities	52,704	70,629	79,447	67,359	67,704	63,069	35,531
Total Primary Government Net Revenue/(Expense)	<u>\$ (828,133)</u>	<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	\$ 273,259	\$ 283,112	\$ 271,925	\$ 247,390 ⁽²⁾	\$ 211,944	\$ 180,671	\$ 181,113
Property Taxes, Levied for							
Flood Control District	68,042	63,209	53,662	49,295	47,677	45,397	41,158
Property Taxes, Levied for OC Parks	50,551	46,965	39,869	37,504	35,450	33,761	30,630
Property Taxes, Levied for Public Library	37,454	34,427	31,408	28,893	25,739	24,243	22,666
Property Tax Increments	32,376	25,828	26,580	24,122	21,602	19,364	17,327
Property Taxes in Lieu of Motor							
Vehicle License Fees	224,210	206,933	158,240	141,319 ⁽²⁾	--	--	--
Other Taxes	84,434	54,644	50,676	48,862	51,104	51,694	7,917
Grants and Contributions Not							
Restricted to Specific Programs	23,434	1,917	1,881	9,442	11,969	22,707	58,614
State Allocation of Motor							
Vehicle License Fees	54,656	58,487	56,873	54,325 ⁽²⁾	189,732	178,446	172,916
Unrestricted Investment Earnings	27,773	60,856	38,588	30,674	25,753	18,195	32,835
Miscellaneous	66,887	60,762	66,239	48,823	44,023	46,258	52,288
Gain on Sale of Capital Assets	--	31,460	--	--	--	--	--
Transfers	16,802	14,130	11,435	14,579	12,155	13,419	19,606
Subtotal Governmental Activities	<u>959,878</u>	<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	29,206	34,500 ⁽³⁾	--	--	--	--	14,647
Miscellaneous Revenues	2,886	1,206	3,016	314	965	537	1,211
Special Items	(6,835)	--	--	--	--	--	--
Transfers	(16,802)	(14,130)	(11,435)	(14,579)	(12,155)	(13,419)	(19,606)
Subtotal Business-Type Activities	<u>8,455</u>	<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>\$ 968,333</u>	<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	\$ 79,041	\$ 340,808	\$ 183,687	\$ 233,859	\$ 180,085	\$ 624,550	\$ 5,648
Business-Type Activities	61,159	92,205	71,028	53,094	56,514	50,187	31,783
Total Primary Government	<u>\$ 140,200⁽⁴⁾</u>	<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 motor vehicle license fee -property tax swap known as the "VLF Swap" was instituted causing a shift in property tax and Motor Vehicle License Fees.
 - (3) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.
 - (4) The significant change in net assets is explained in Management's Discussion and Analysis (MD&A).

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

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

	Fiscal Year						
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
General Fund							
Reserved	\$ 99,877	\$ 89,001	\$ 68,082	\$ 67,554	\$ 70,861	\$ 56,819	\$ 75,206
Unreserved, Designated	178,664	179,038	140,436	90,240	108,325	104,126	126,209
Unreserved, Undesignated	36,432	115,701	149,617	163,548	123,979	159,684	155,255
Total General Fund	\$ 314,973	\$ 383,740	\$ 358,135	\$ 321,342	\$ 303,165	\$ 320,629	\$ 356,670
All Other Governmental Funds							
Reserved	\$ 671,739	\$ 626,134	\$ 594,090	\$ 657,214	\$ 603,438	\$ 606,227	\$ 605,949
Unreserved, Designated	347,696	298,120	286,105	303,304	310,822	275,971	264,195
Unreserved, Undesignated for, Reported in:							
Special Revenue Funds	538,459	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	192,604	226,723	240,326	225,030	180,477	179,733	155,589
Permanent Fund	16	12	14	13	7	33	28
Total All Other Governmental Funds	\$ 1,750,514	\$ 1,714,323	\$ 1,540,266	\$ 1,627,601	\$ 1,536,941	\$ 1,493,653	\$ 1,362,472



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

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

	Fiscal Year						
	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Revenues							
Taxes	719,742	\$ 674,278	\$ 618,429	\$ 530,596	\$ 367,087	\$ 341,426	\$ 320,544
Licenses, Permits, and Franchises	20,516	23,289	18,011	19,767	15,867	15,730	11,807
Fines, Forfeitures and Penalties	89,700	73,353	70,624	70,686	60,038	68,406	63,881
Use of Money and Property	146,983	165,042	100,207	112,592	95,360	117,443	102,145
Intergovernmental	1,743,637	1,722,951	1,614,484	1,531,370	1,593,175	1,625,639	1,546,234
Charges for Services	423,611	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	91,197	104,046	90,721 ⁽¹⁾	268,174	215,343	137,677	92,560
Total Revenues	3,235,386	3,169,030	2,916,902	2,978,356	2,762,159	2,735,398	2,473,094
Expenditures							
General Government	252,781	204,585	303,827 ⁽¹⁾	356,883	293,679	221,977	161,023
Public Protection	1,103,442	1,005,737	910,531	874,789	875,096	826,232	788,238
Public Ways and Facilities	117,963	90,683	95,161	71,075	70,740	68,523	72,219
Health and Sanitation	564,335	516,901	458,741	446,887	439,380	435,898	417,373
Public Assistance	851,836	788,326	664,723	731,100	723,079	724,443	698,234
Education	37,091	35,904	40,061	29,745	31,069	27,684	26,748
Recreation and Cultural Services	70,084	73,386	67,776	67,411	66,606	67,654	61,601
Capital Outlay	143,468	154,373	99,519	207,146	124,210	149,914	151,296
Debt Service							
Principal Retirement	301,066	191,012	67,602	61,503	69,476	61,176	33,498
Escrow Bond Agent	--	--	230,719	--	4,314	--	12,914
Interest	53,478	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	3,495,544	3,120,292	3,000,090	2,913,673	2,766,627	2,655,465	2,498,075
Excess of Revenues							
Over (Under) Expenditures	(260,158)	48,738	(83,188)	64,683	(4,468)	79,933	(24,981)
Other Financing Sources (Uses)							
Transfers In	359,791	298,138	245,441	244,551	303,456	281,927	624,869
Transfers Out	(345,674)	(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	211,065	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	2,400	--	396	38,917	18,142	2,817	1,696
Total Other Financing Sources	227,582	150,924	32,646	44,154	30,292	15,207	27,668
Net Change in Fund Balances	\$ (32,576) ⁽²⁾	\$ 199,662	\$ (50,542)	\$ 108,837	\$ 25,824	\$ 95,140	\$ 2,687
Debt Service as a Percentage of Noncapital Expenditures:	10.43%	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.

(2) The significant net change in fund balances is explained in Management's Discussion and Analysis.

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

Assessed Value of Taxable Property ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Residential Property	Industrial/ Commercial Property	Other Property ⁽²⁾	Unsecured Roll Gross Total ⁽³⁾
2007-08	\$ 302,853,813	\$ 89,547,612	\$ 2,772,022	\$ 20,318,430
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 Ten Fiscal Years

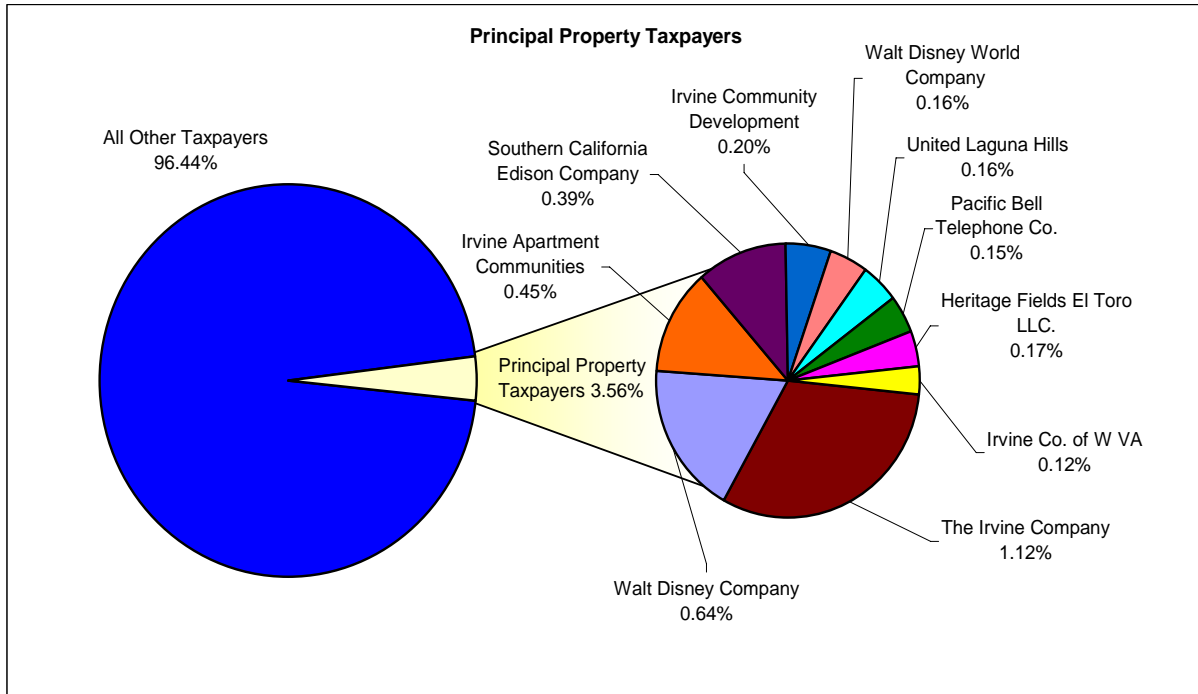
Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent ⁽¹⁾
\$ 415,491,877	\$ (6,757,810)	\$ 408,734,067	1.00
383,890,682	(6,613,199)	377,277,483	1.00
344,852,288	(5,615,327)	339,236,961	1.00
313,932,953	(5,265,627)	308,667,326	1.00
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. The full cash value can be increased to reflect the annual inflation up to 2 percent, the current market value at time of ownership change and the 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, 2008 and June 30, 1999**

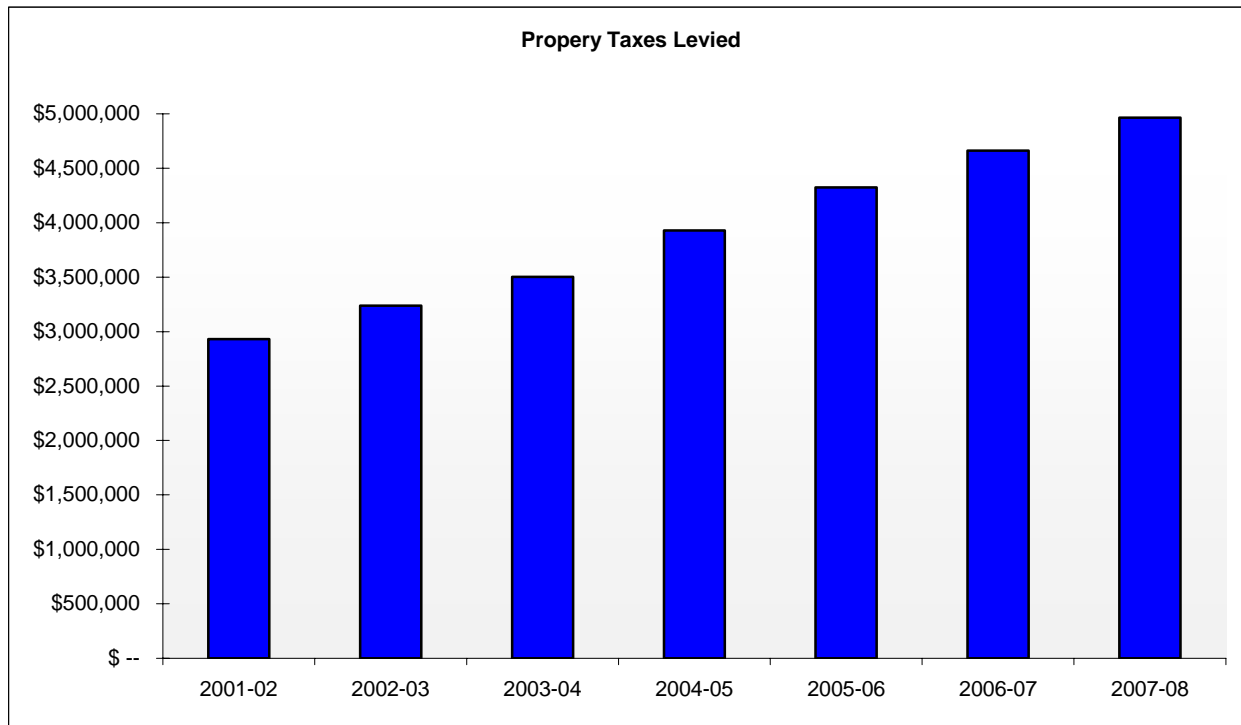
Taxpayer	2008			1999		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
The Irvine Company	\$ 55,806	1	1.12%	\$ 32,239	1	1.58%
Walt Disney Company	31,680	2	0.64%			
Irvine Apartment Communities	22,146	3	0.45%	16,280	2	0.80%
Southern California Edison Company	19,195	4	0.39%	15,639	4	0.76%
Irvine Community Development	9,869	5	0.20%	4,555	6	0.22%
Heritage Fields El Toro LLC	8,586	6	0.17%			
United Laguna Hills	7,895	7	0.16%	3,595	8	0.18%
Walt Disney World Company	7,772	8	0.16%	11,635	5	0.57%
Pacific Bell Telephone Co.	7,389	9	0.15%	16,169	3	0.79%
Irvine Co. of W VA	5,844	10	0.12%			
W.T. Newland Estate				4,087	7	0.20%
McDonnell Douglas Corporation				3,581	9	0.17%
Rockwell International Corporation				3,375	10	0.16%
Total	\$ 176,182		3.56%	\$ 111,155		5.43%



Source: Treasurer-Tax Collector, County of Orange

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

Fiscal Year	Taxes Levied for the Fiscal Year ⁽¹⁾	Collections Within the Fiscal Year of the Levy ⁽²⁾		Collections of Delinquent Taxes from Prior Years	Total Collections for the Fiscal Year ⁽³⁾	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007-08	\$4,965,990	\$4,784,438	96.34%	\$103,391	\$4,887,829	98.43%
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 Seven 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⁾
2007-08	\$ 108,175	\$ 6,104	\$ 2,822	\$ --	\$ --	\$ 304,357	\$ 90,769
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 Seven 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⁾	
\$ 58,305	\$ 3,176	\$ 573,708	0.15%	\$ 185	
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	0.51%	393	

- Notes:
- (1) Details regarding the County's outstanding debt can be found in Note 12, 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

**Ratio of Net General Bonded Debt ⁽¹⁾ Outstanding
 Last Seven 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⁾
2007-08	\$ 108,175	\$ 72,728	\$ 72,728	108,175	0.03%	\$ 35
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 12, 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
2007-08	\$ 412,669,779	\$ 5,158,372	\$ --	\$ 5,158,372	0%
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%



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 Seven 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
2007-08	\$ 34,687	\$ 11,252	\$ 23,435	\$ 2,450	\$ 2,694	4.56	2007-08	\$ 2,789	--	\$ 2,789	\$ 859	\$ 1,741	1.07
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
2007-08	\$ 77,308	--	\$ 77,308	\$ 51,680	\$ 20,283	1.07	2007-08	\$ 20,038	\$ 10,779	\$ 9,259	--	\$ 4,751	1.95
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	--	--	--	--	--	--

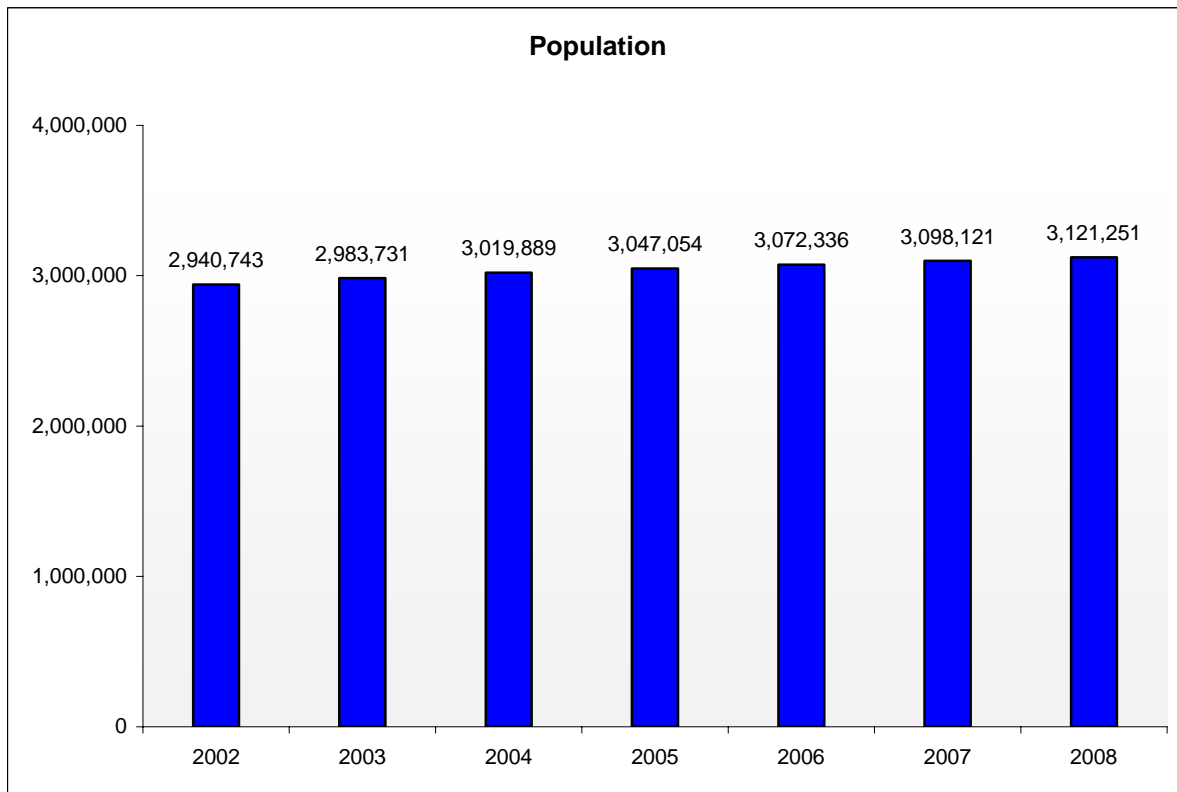
Airport Revenue Bonds							Waste Management Revenue Bonds						
Funding Source: Rents and Concessions, Other Charges for Services, Interest Earnings, and Miscellaneous Revenue							Funding Source: Sanitation Services and Interest Earnings						
Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service			Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage					Principal	Interest	Coverage
2007-08	\$ 118,105	\$ 63,174	\$ 54,931	\$ 12,765	\$ 5,280	3.04	2007-08	\$ 120,309	\$ 82,884	\$ 37,425	\$ 5,030	\$ 2,176	5.19
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 Seven Calendar Years**

Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income (Actual Dollars) ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment (In Thousands) ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2008	3,121,251	155,459,600	49,807	N/A	503,225	5.7%
2007	3,098,121	151,039,900	48,752	35.9	503,955	3.8%
2006	3,072,336	143,949,044	48,209	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) For years prior to 2007, the source is the U.S Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov>. For 2007 and 2008, the source for personal income is from the Chapman University Economic & Business Review Volume 27 Number 1, December 2008. Personal income in 2008 is an estimate. In addition, per capita personal income for 2007 and 2008 was calculated by dividing personal income by the population.
- (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**

2007

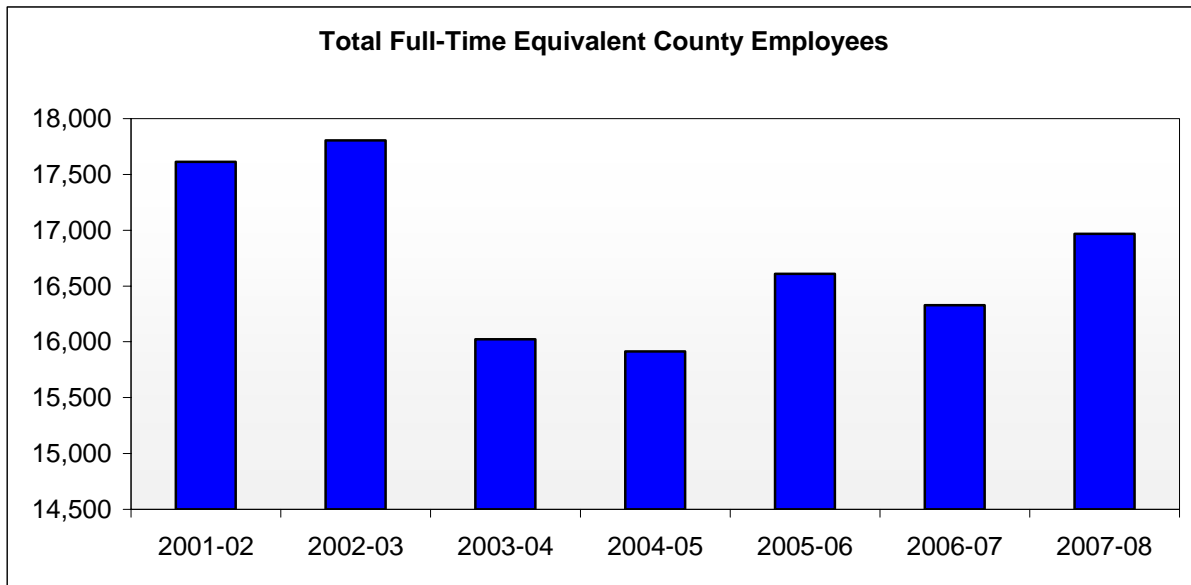
Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Company	20,000	1	1.22%
County of Orange	18,301	2	1.12%
University of California, Irvine	17,579	3	1.08%
St. Joseph Health System	10,047	4	0.61%
Boeing Co.	9,961	5	0.61%
Yum! Brands Incorporated	7,200	6	0.44%
AT&T Incorporated	6,000	7	0.37%
California State University, Fullerton	5,634	8	0.34%
Home Depot, Incorporated	5,450	9	0.33%
Bank of America Corp.	5,000	10	0.31%

1999

Employer	Number of Employees	Rank	Percentage of Total County Employment
County of Orange	15,408	1	1.05%
Walt Disney Company	13,300	2	0.91%
University of California, Irvine	12,861	3	0.88%
Boeing Co.	12,000	4	0.82%
St. Joseph Health System	8,150	5	0.56%
American Stores Co.	7,543	6	0.52%
Tenet Healthcare Corp.	7,221	7	0.49%
Ralphs Grocery Company	5,000	8	0.34%
Bank of America Corp.	4,843	9	0.33%
Tricon Global Restaurants Inc.	4,820	10	0.32%

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

Function/Program	2007-08	2006-07	2005-06	2004-05	2003-04 ⁽¹⁾	2002-03	2001-02
General Government	1,377	1,334	1,384	1,342	1,335	1,317	1,303
Public Protection	7,226	6,943	7,068	6,786	6,941	8,667	8,561
Public Ways and Facilities	621	579	598	544	532	500	481
Health and Sanitation	2,550	2,441	2,478	2,424	2,458	2,407	2,424
Public Assistance	4,123	3,992	4,029	3,787	3,728	3,946	3,909
Education	360	351	359	344	349	345	328
Recreation and Cultural Services	264	257	265	279	277	259	254
Airport	161	157	150	136	136	129	123
Waste Management	270	258	263	259	256	226	224
Orange County Children and Families Commission	17	16	15	12	12	10	7
Total Full-time Equivalent Employees ⁽²⁾	16,969	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 Four Fiscal Years**

Function/Program	2007-08	2006-07	2005-06	2004-05
<u>General Government</u>				
Auditor-Controller				
Property Tax Bills Prepared	1,149,007	1,164,584	1,155,562	1,136,302
Assessor				
Number of Real Property Valued	881,233	872,439	859,112	845,293
Number of Unsecured Property Assessed	176,584	171,542	168,342	165,814
New Parcels Created and Mapped	10,252	14,760	13,800	14,646
New Construction Events	19,380	19,991	16,730	18,919
County Executive Office				
Volunteer Program Service Hours	675,285	923,689	1,021,153	995,739
Clerk-Recorder				
Marriage Licenses Issued	20,894	21,088	21,198	27,000
Copies of Birth Certificates Issued	117,226	120,817	99,792	130,000
Property-Related Document Recordings	658,005	849,739	979,733	1,400,000
Treasurer-Tax Collector				
Orange County Investment Pool Return	\$ 141,824,456	\$ 167,106,896	\$ 119,560,608	\$ 66,375,267
Orange County Educational Investment Pool Return	\$ 131,796,036	\$ 150,134,812	\$ 106,373,702	\$ 56,258,941
Registrar of Voters				
Registered Voters	1,566,951	1,497,397	1,491,009	1,495,824
Early Voting	4,434	3,595	2,239	29,304
Vote by Mail	336,124	361,128	292,118	397,844
Elections Conducted	5	3	8	4
<u>Public Protection</u>				
Sheriff-Coroner				
Patrolled Cities Population	575,909	571,648	571,456	566,650
Patrolled Unincorporated Areas Population	118,136	120,174	118,664	112,800
Number of Bookings to Orange County Jail System	64,596	66,869	67,062	64,847
Average Daily Jail Head Count	6,183	6,571	6,517	6,054
District Attorney				
Defendants Prosecuted - Adult	69,507	74,010	71,094	67,756
Defendants Prosecuted - Juvenile	9,076	8,763	7,670	7,470
Probation				
Physical Arrests - Adult	2,470	3,000	3,052	2,191
Physical Arrests - Juvenile	1,051	1,363	1,421	1,343
Public Defender				
Cases Appointed Annually	79,052	83,299	79,785	77,578
<u>Recreation</u>				
OC Community Resources				
Exotic Invasive Plant Removal (acres)	*	30	15	24
Native Vegetation Restoration (acres)	*	13	0.5	*
New Open Space Management (acres)	250	--	--	1,004
Dana Point Harbor				
Slip and Dry Storage Tenants	2,932	2,932	2,932	*
Boat Launches	22,247	22,159	19,719	*
Sailing and Event Center Participants	54,371	54,539	54,496	*
Ocean Institute Students	116,218	149,220	136,926	*
Hotel Guests	26,940	29,580	28,366	*
Catalina Express Passengers	114,000	114,708	114,567	*
Special Events at the Harbor	16	16	16	*
Special Events Visitors Throughout the Year	250,000	*	*	*

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

Function/Program	2007-08	2006-07	2005-06	2004-05
<u>Public Ways and Facilities</u>				
OC Public Works (OCPW)				
Building and Home Inspections	31,363	32,365	38,945	57,563
<u>Health and Sanitation</u>				
Health Care Agency				
Animal Licenses	155,875	166,137	167,340	157,921
911 Emergency Medical Services Responses	150,545	147,067	141,850	141,284
Retail Food Facility Inspections Conducted	33,451	31,475	31,216	28,433
Hazardous Waste Inspections Conducted	6,194	6,223	6,122	6,294
Number of Home Visits by Public Health Nurses	30,447	38,245	42,646	35,600
Number of Low Income Children Dental Health Services	660	1,055	993	1,142
Number of Ocean Water Days of Closure (In Beach-Miles)	11	3	19	79
<u>Public Assistance</u>				
OC Community Resources				
Adult Day Care Hours of Service	89,584	76,005	85,116	79,035
Elderly Nutrition Program Meals Delivered	1,736,877	1,606,272	1,665,392	1,667,021
One-Way Transportation Trips Provided to Seniors	225,783	242,415	226,689	213,998
Social Service Agency				
Average Medi-Cal Recipients	326,506	317,771	316,949	300,934
Average Monthly Child Abuse Hotline Calls	3,427	3,049	2,782	2,909
Average Monthly Food Stamp Recipients	88,284	82,132	79,487	79,931
Average Monthly In-Home Supportive Services	14,425	12,765	11,877	11,063
Average Persons Receiving Cash Assistance	38,840	38,790	40,886	44,008
Average Children in Foster Care/Relative Care	2,797	2,692	2,531	2,741
Average Elder and Adult Abuse Unduplicated Reports Received	549	509	444	449
<u>Education</u>				
Library				
Total Volumes Borrowed at Library Branches	6,919,627	6,734,372	6,919,627	6,913,954
<u>Airport</u>				
Passengers	9,566,043	9,910,016	9,600,753	9,530,981
Air Cargo Tonnage	21,084	22,853	24,246	23,162
Takeoffs & Landings	319,791	343,572	348,993	349,936
<u>Waste Management</u>				
Solid Waste Tonnage	4,207,649	4,706,367	5,063,988	5,124,842
Gallons of Leachate and Impacted Ground Water Collected	3,766,898	3,695,743	3,922,890	3,713,480

* Means Not Available
Source: County Departments

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

Function/Program	2007-08	2006-07	2005-06	2004-05
<u>General Government</u>				
County Executive Office				
Hall of Administration	1	1	1	1
Data Center	1	1	1	1
Auditor-Controller				
Hall of Finance and Records	1	1	1	1
Clerk-Recorder				
OC Archives Building	1	0	0	0
Registrar of Voters				
Vote by Mail Processing System	3	3	2	2
Trailer	1	1	1	1
Vehicle/Truck	3	2	2	0
<u>Public Protection</u>				
Probation Department				
Juvenile Institutions	6	6	5	5
District Attorney				
Justice Center Offices	6	6	6	6
Sheriff-Coroner				
Crime/Forensic Lab	1	1	1	1
Jail Facilities	3	3	3	3
Vehicles	855	777	646	624
Buses	12	14	16	14
Helicopters	2	3	3	3
Boats	5	3	3	3
Robot Andros	3	3	2	1
Haz-mat Vehicles	4	4	4	4
K-9 units	13	12	20	20
<u>Public Assistance</u>				
Social Service Agency				
Vehicles	8	7	7	7
Office Locations	27	27	30	30
<u>Parks and Recreation</u>				
OC Community Resources				
Park Land (acres)	32,000	32,000	32,000	32,000
Open Land (acres)	7,000	7,000	7,000	7,000
Recreational Trails (in miles)	300	300	300	300
Zoo	1	1	1	1
Urban Regional Parks	12	12	12	12
Wilderness Parks	5	5	5	5
Nature Preserves	3	3	3	3
Harbors	2	2	2	2
Beaches	9	9	9	9
Historical Sites	7	7	7	7
Boats	15	9	17	17
Tractors	9	16	9	8
Trailers	15	21	15	14
Vehicles/Trucks	165	135	119	119
Dana Point Harbor				
Harbor	1	1	1	1
Marinas	2	2	2	2
Public Parking Areas	9	9	9	*

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

Function/Program	2007-08	2006-07	2005-06	2004-05
<u>Parks and Recreation (Continued)</u>				
Dana Point Harbor (Continued)				
Beaches	2	2	2	2
Access Points to Ocean	8	8	8	*
Hotel	1	1	1	1
Ocean Education Center	1	1	1	1
Sailing and Events Center	1	1	1	1
Shops	26	26	26	*
Restaurants	15	15	15	*
Fuel Dock	1	1	1	1
Shipyard	1	1	1	*
Boater Service Buildings	15	15	15	*
<u>Public Ways and Facilities</u>				
OC Public Works				
Alternate Fuel Vehicles	59	50	31	40
Vehicles/Trucks	47	48	34	21
OC Flood Control District				
Watersheds	11	13	13	13
Dams	3	3	3	3
Dump Trucks	14	14	14	13
Tractors	20	20	19	19
Trailers	13	13	13	12
Vehicles/Trucks	162	154	150	145
Roads				
Street Miles	320	317	312	311
Dump Trucks	8	8	8	8
Tractors	13	13	11	9
Trailers	14	14	12	10
Vehicles/Trucks	157	143	138	130
<u>Education</u>				
Library Branches	33	32	32	32
<u>Health</u>				
Public Health Services				
Public Health Laboratory	1	1	1	1
Water Quality Laboratory	1	1	1	1
Public Health Clinics	11	11	15	15
Trailers	2	2	*	*
Behavioral Health Services				
Behavioral Health Clinics	32	20	*	*
Vehicles/Trucks	20	20	*	*
Trailers	1	1	*	*
Regulatory Health Services				
Animal Care Center	1	1	1	1
Vehicles/Trucks	45	45	*	*
Trailers	2	2	*	*
Haz-mat Truck	1	1	*	*
Medical and Institutional Health Services				
Clinics	6	6	*	*
Health Disaster Management				
Vehicles/Trucks	2	2	*	*
Trailers	21	21	*	*
Forklifts	1	1	*	*

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

Function/Program	2007-08	2006-07	2005-06	2004-05
<u>Airport</u>				
Acres	501	501	501	501
Runways	2	2	2	2
Public Parking Lots	5	5	5	5
Terminals	1	1	1	1
Fire Trucks	4	4	4	4
<u>Waste Management</u>				
Active Landfills	3	3	3	3
Inactive Landfills	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4
Dozers	10	12	15	17
Dump Trucks	14	14	4	4
Loaders	21	21	12	15
Scrapers	15	15	10	10
Tractors	27	26	34	28
Graders	5	5	5	5
Compactors	6	5	8	10
Water/Fuel Trucks	12	12	12	13

* Means Not Available
 Source: County Departments



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