

COUNTY OF ORANGE

Comprehensive Annual Financial Report
For the Year Ended June 30, 2012



Jan E. Grimes, CPA
Chief Deputy Auditor-Controller

Sunset Beach Park

This year's cover depicts Sunset Beach Park, a 45 acre beach property that draws thousands of visitors each year. Sunset Beach has had a varied and interesting history. This beach side colony began developing around the early 1900's. The Pacific Electric Railway ran through the center of what is now the head parking facility. This railway played an important role in county development, linking the beach cities to major population centers. Weekend cottages and local businesses soon sprang up, paralleling the Pacific Electric tracks. As more houses were constructed this area became known as Sunset Beach. Directly adjacent was the residential colony of Surfside.

In the mid 1960's Sunset Beach received much public attention. High tides and heavy seas threatened to erode most of the beach and ocean front homes away. Quick action by the U.S. Army Corps of Engineers, with financial assistance from the County and State, stockpiled 4,000,000 cubic yards of sands. This massive effort temporarily prevented extensive erosion damage. In 1970, to meet increasing recreational needs the County purchased the old Electric Pacific Railway to develop a public parking lot for beach users.

Activities and Amenities:

Sunset Beach provides ample space for traditional water related activities such as surfing and swimming. Other amenities the park provides are: basketball courts, bike trails, family picnic areas, fishing, playgrounds, restrooms, and volleyball courts.

A "black ball" flag system is used to protect swimmers and surfers, while controlling the separate surfing zone. This separate surf zone and lifeguard service is provided by U.S. Ocean Safety and provides assurance to beach goers as they use the beach.

Location:

Sunset Beach Park is located in Northwest Orange County adjacent to the residential community of Sunset Beach. Sunset Beach is bordered by Seal Beach to the north and Bolsa Chica State Beach to the south. Parking is located on Pacific Coast Highway between Warner Avenue and 5th Street. The beach is open daily from 7 a.m. to 10 p.m.

For more information about Sunset Beach Park, please visit www.ocparks.com/sunsetbeach/ or call (949) 923-2290 or (949) 923-2295.

Acknowledgements:

Information & Photos Courtesy of OC Parks

Cover Design by Peter Dibble, Volunteer Graphic Artist

County of Orange

State of California

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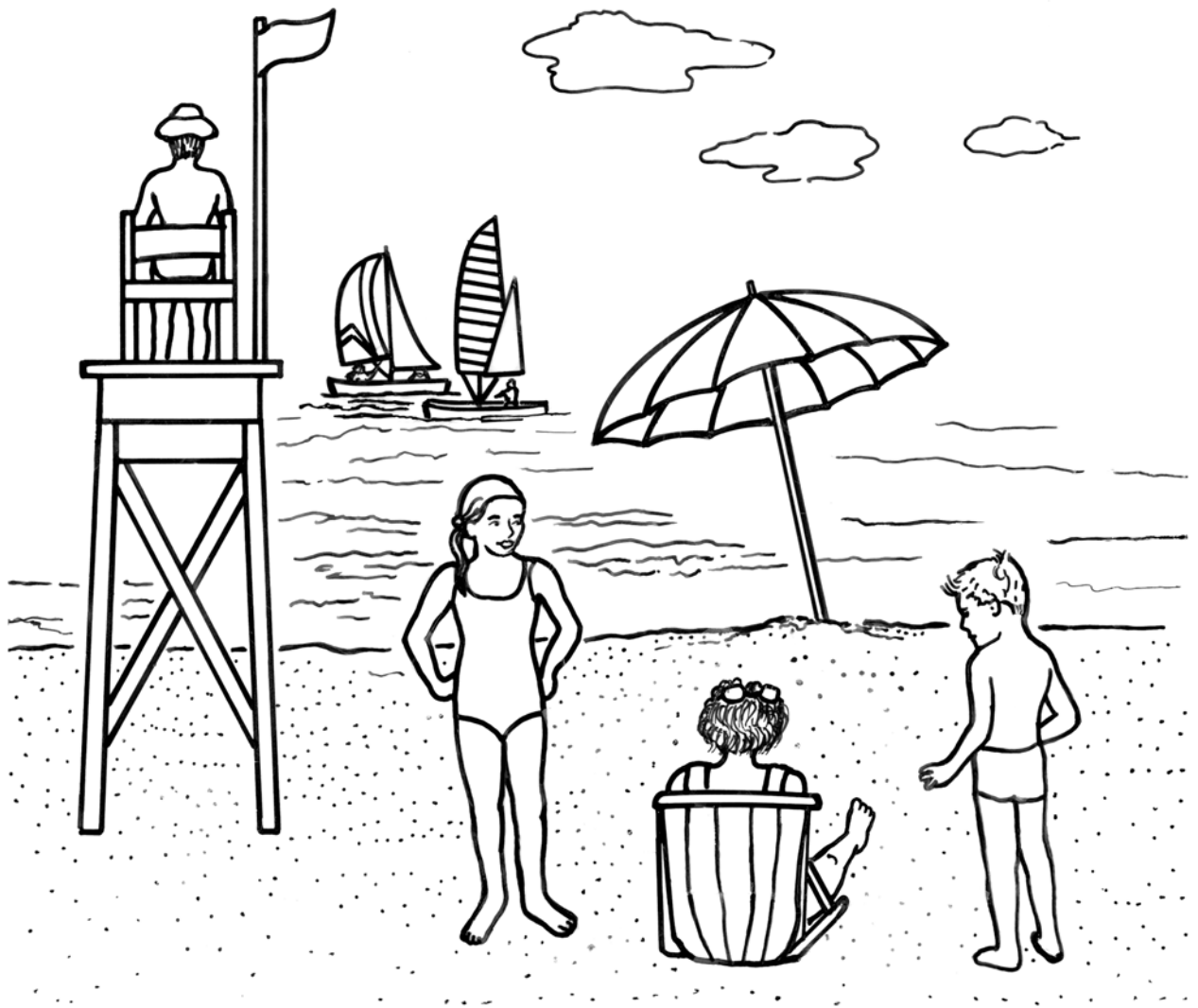
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December 18, 2012

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, 2012, 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, 2012, 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, 2012. 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 (the Board), who each serve four-year terms, and annually elect a Chairman and Vice-Chairman. The supervisors represent districts that are each approximately equal in population. The district

The County provides a full range of services countywide, for the unincorporated areas, and contracted through cities. These services are outlined in the following table:

Countywide Services		Unincorporated Area Services	
Affordable Housing (Housing Authority)	Veterans Services	Animal Care & Control	Libraries
Agricultural Commissioner	Indigent Medical Services	Flood Control	Parks
Airport	Jails & Juvenile Facilities	Land Use	Water Disposal Collection
Child Protection & Social Services	Juvenile Justice Commission	Law Enforcement	
Child Support Services	Landfills & Solid Waste Disposal		
Clerk-Recorder	Law Enforcement		
Coroner & Forensic Services	Probationary Supervision		
District Attorney	Public Assistance		
Elections & Voter Registration	Public Defender/ Alternate Defense		
Environmental / Regulatory Health	Public & Mental Health		
Flood Control & Transportation	Senior Services		
Harbors, Beaches & Parks	Tax Assessment Collection & Appeals		
Disaster Preparedness	Weights & Measures		

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

Source: County of Orange Facts and Figures, 2012

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, 2012: the Orange County Flood Control District, Orange County Housing Authority, Orange County Public Financing Authority, South 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-budget control 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 and major Debt Service Fund with appropriated annual budgets are presented in the Supplemental 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; outstanding encumbrances are carried forward to 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 County of Orange eGovernment website portal at <http://www.ocgov.com> provides online services and extensive information about County government to Orange County residents, businesses, partners, and visitors. During Fiscal Year (FY) 2011-12, the website received over 10.5 million visits and served over 32 million pages of information. The County's website includes information about the Board, County job listings, purchasing bid solicitations, County directories, assessment appeals, links to court information and local court rules, voter information, County permits and forms, public safety, health and human services programs and financial information. The site also provides several online services, including live and archived Board meeting video, Board agenda public comment submissions, ordering birth, death and marriage certificates, searching fictitious business names, searching polling locations and election results, licensing pets, paying property taxes and subscribing to receive emergency alerts. The County continuously strives to improve a constituent'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 continues to out-perform 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. Internal indicators show a continued slow but steady recovery of 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 National level (see Table 1).

According to Chapman University, Orange County's job growth is expected to increase by 1.8% in 2012 and result in approximately 24,135 new jobs relative to 2011. This compares to smaller increases of 1.4% for the State of California and 1.5% for the national level.

According to Chapman University, inflation, as measured by the Consumer Price Index (CPI), is expected to be comparable for Orange County relative to the U.S. (2.8% for both OC and U.S.) and slightly greater than for the State of California (2.6% for CA) in 2012. (see Table 2).

Table 1: Unemployment Rate Comparison

Primary Government Entity	August 2012 Unemployment Rate
United States	8.1%
California	10.4%
Los Angeles County	11.2%
Orange County	7.7%
Riverside & San Bernardino Counties	12.3%
San Diego County	9.0%

Unemployment and Expected Job Growth Rates

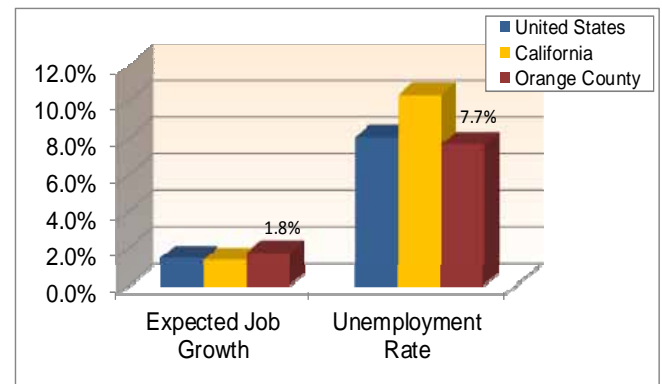


Table 2: 2012 – Projected Increase of the CPI

United States	California	Orange County
2.8%	2.6%	2.8%

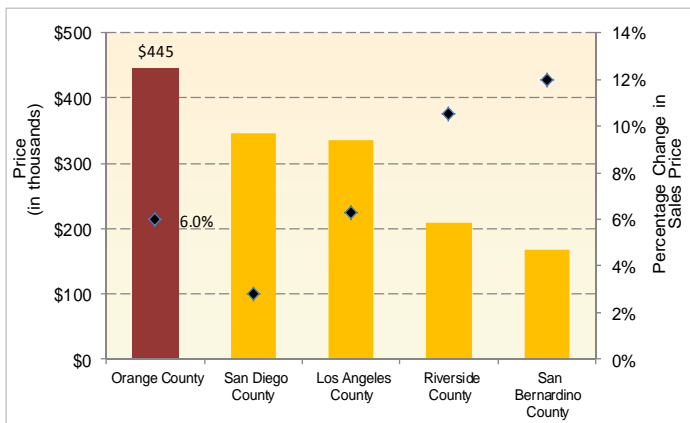
Sources: State of California, Employment Development Department Economic & Business Review, Chapman University, June 2012

Orange County's Housing and Urban Development median family income is expected to be \$85,300 (absolute dollars) in 2012, up from \$84,200 (absolute dollars) in 2011. 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 \$445,000 (absolute dollars) in August, 2012, representing a 6.0% increase relative to August, 2011. The median sales price in Orange County continues to exceed all surrounding counties (see Table 4).

In terms of internal trends, current and projected indicators suggest that the Orange County economy will continue to gradually improve with 24,135 jobs added in 2012 and 28,060 in 2013.

Comparison of Median Home Sales Price and Price Changes Among Counties

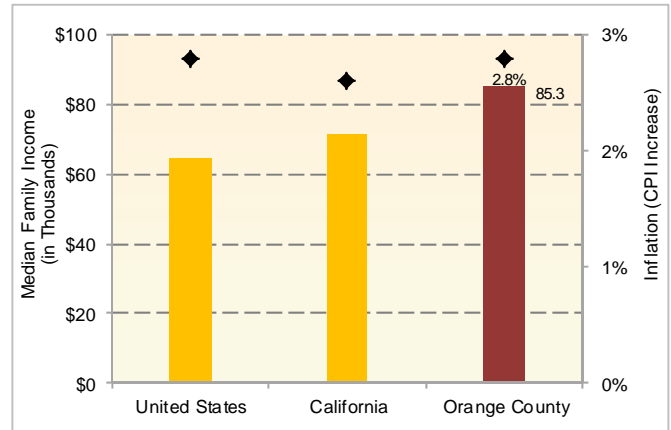


Sources: DataQuick Information Systems, August 2012

Table 3: Median Family Income Comparison

Primary Government Entity	Median Family Income (absolute dollars)
United States	\$65,000
California	\$71,400
Los Angeles County	\$64,800
Orange County	\$85,300
Riverside County	\$63,300
San Diego County	\$75,900

Comparisons of Inflation and Median Family Income



Sources: Economic & Business Review, Chapman University, June 2012
 U.S. Department of Housing and Urban Development, 2012

Table 4: Median Home Sales Price Comparison – Southern California Counties – August 2012

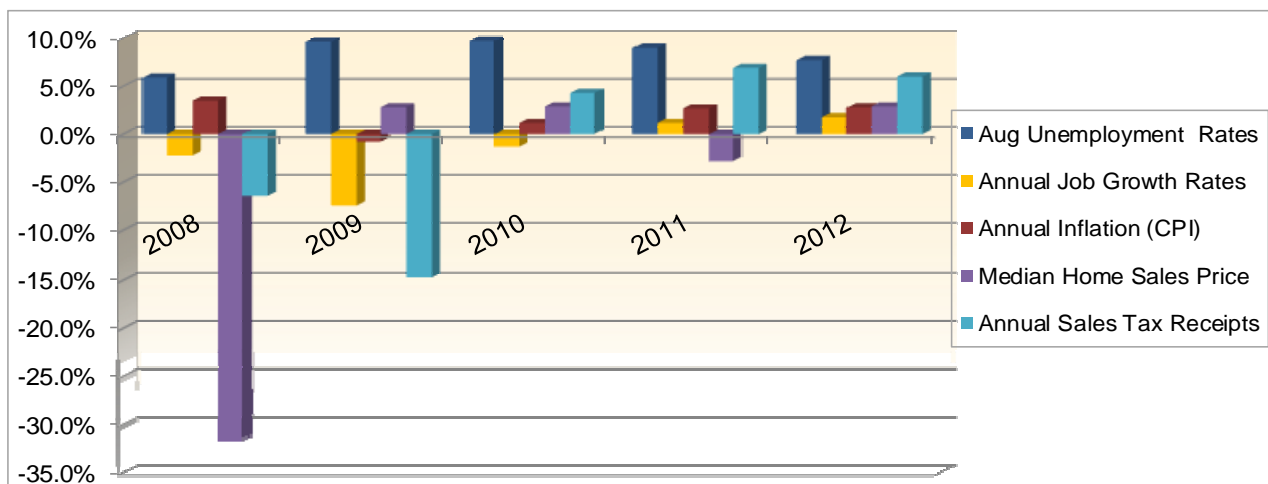
Primary Government Entity	Median Home Sales Price Change increase	Median Home Sales Price (absolute dollars)
Los Angeles County	6.3%	\$335,000
Orange County	6.0%	\$445,000
Riverside County	10.5%	\$210,000
San Bernardino County	12.0%	\$168,000
San Diego County	2.8%	\$345,000

Table 5 shows various internal indicators reflecting a slow but steady recovery of Orange County's economy. First, unemployment rates are expected to increase by 7.7% in August relative to 9.0% increase in August 2011. Second, job growth is expected to improve by 1.8% in 2012 compared to 1.2% in 2011. Third, median home prices are expected to increase by 2.9% in August relative to a decrease of 2.8% in 2011. The only economic indicator where this trend of improvement is not consistent is in terms of expected sales tax receipts where a slight change in the increase of 6.0% is expected in 2012 relative to the 6.9% increase in 2011.

Table 5: Orange County Historical Data

Historical Indicators	2008	2009	2010	2011	2012
Unemployment Rates	5.9%	9.6%	9.7%	9.0%	7.7%
Annual Job Growth	(2.2%)	(7.4%)	(1.3%)	1.2%	1.8%
Annual CPI Inflation	3.5%	(0.8%)	1.2%	2.7%	2.8%
Median Home Sales Price increase	(31.5%)	2.8%	2.9%	(2.8%)	2.9%
Annual Change in Sales Tax Receipts	(6.4%)	(14.7%)	4.3%	6.9%	6.0%

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, June 2012
DataQuick Information Systems, August 2012

In summary, the economy in Orange County continues to show some signs of slow but steady recovery.

Long-Term Financial Planning

Strategic Plan: In March 1997, the Board 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 with financial impacts identified over the plan period. 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 Board adopted the 2011 Strategic Financial Plan (SFP) on January 24, 2012. The 2011 SFP is the foundation in planning for continued financial stability and will be augmented by the monitoring and establishment of budgetary controls, via the FY 2012-13 quarterly budget reporting process and the adoption of the FY 2012-13 Budget. The five-year SFP projections indicate that General Purpose Revenue growth will be in the range of 1% for the first year of the plan with improved growth rates of 3% to 4% in years two through five. The moderate growth rate for revenue coupled with the increasing cost of doing business will require the County to carefully

manage programs and services levels. The County continues to believe that sustained job growth and reduced unemployment are the key indicators for economic recovery.

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.

- The 2011 SFP reflects a 20% reduction in FY 2012-13 Net County Cost limits compared to FY 2007-08
- New lower benefit pension tier for general employees
- Increased pension contribution for safety employees
- Negotiation of labor contracts with general and safety members that includes no general salary increase
- Continuation of the policy to not backfill State budget reductions
- Internal financing program to support major information technology projects
- Development of contingency reduction plans
- Maintaining prudent levels of General Fund and Contingency Reserves

Santa Ana River Mainstem Project: The Santa Ana River Mainstem Project (SARMP) 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 SARMP. Construction for the SARMP was authorized by the Water Resources Development Act of 1986. Construction for the SARMP was initiated in 1989, and completion is scheduled for 2020.

The SARMP 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 SARMP is available in Note 15, Construction and Other Significant Commitments. To learn more about the SARMP, visit the Orange County Flood Control Division's website at <http://www.ocflood.com>.

OC Dana Point Harbor Revitalization Plan: The OC Dana Point Harbor Capital Improvement Plan includes revitalization of Dana Point Harbor. The Revitalization Project is a multi-phased project with total costs estimated at \$170,000 pending final project design approvals. The initial phase of improvements is expected to be funded with a combination of bond proceeds, State Department of Boat and Waterways (DBW) loans (\$24,500), and reserve funds dedicated for the Harbor Improvement Plan. The OC Dana Point Harbor and County Executive Office Public Finance staff are expected to finalize the financial strategy for the complete Revitalization Plan by mid-2013.

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 www.ocgov.com/financials/finance.asp.

Relevant Financial Policies	
Department Business Plans	Each County Department prepares a biennial 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, strategies for overcoming challenges and 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. Performance measures and strategies within 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, County departments, members of the public, and other interested parties with an overview of the current status of budgeted revenues and expenditures, total budgeted positions and various departmental issues requiring adjustments to the County's budget.
Annual Budget Policies and Guidelines	The Annual Budget reflects the County's disciplined approach to fiscal management and is consistent with the County's Strategic Financial Planning process. Department budgets are consistent with the priorities and operations plans contained in the Strategic Financial Plan and the approved departmental business plans. Departments use these planning processes, along with outcome indicators, to evaluate programs and redirect existing resources as needed for greater efficiency to reduce costs and minimize the need for additional resources.
Fund Balance Reserve Policy	The County General Fund currently contains formal reserves, appropriations for contingencies, appropriated reserve-type funds, and reserves held by others. The purpose of these reserves is to protect community programs and services from temporary revenue shortfalls and provide for unpredicted, sudden and unavoidable one-time expenditures.
Contingency Planning Policy	<p>The County General Fund maintains a Reserve for Contingencies which was established through the Strategic Financial Plan (SFP) process. The target amount for this reserve is 15% of ongoing annual general purpose revenues (excludes fund balance available and one-time amounts and transfers), or \$95,769. This compares to the Government Finance Officers Association (GFOA) guidelines for funding contingencies at 15% or higher. The June 30, 2012 balance is \$61,300, approximately \$34,469 below the revised 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.

Relevant Financial Policies (Continued)	
Pay-as-you-go Capital Funding	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.
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 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).
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 the following: the Chairman and Vice-Chairman of the Board, the elected Auditor-Controller, the County Executive Officer, the elected Treasurer-Tax Collector as Ex-Officio (non-voting), the Performance Audit Director as Ex-Officio (non-voting), and three public members from the private sector appointed by the Board. The public members shall be appointed by the Board for a term of four years and may be reappointed or removed by the Board.
Treasury Oversight Committee	<p>The Treasury Oversight Committee (the Committee) is responsible for reviewing and monitoring the annual Investment Policy Statement (IPS) prepared by the Treasurer. In addition, the Committee causes an annual audit of the Treasurer's compliance with the IPS. The Committee shall also investigate any and all irregularities in the treasury operation, which become known to the Committee.</p> <p>Annually, the Committee reviews the Treasurer's IPS, including all proposed amendments or modifications to the policy. The Treasurer then submits the IPS to the Board for approval, including any additions or amendments thereto. The TOC membership consists of the following: the elected Auditor-Controller or designee, the County Executive Officer or designee, the elected County Superintendent of Schools or designee, and two members of the public. The members shall be nominated by the Treasurer and confirmed by the Board.</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.

Credit and Debt Management Policy Strategies in Uncertain Financial Markets

Ratings downgrades occurred for a variety of public and private entities. However, the County of Orange has not experienced any downgrades nor is the County on credit watch by any of the rating agencies. In June 2011, the County received the best available short-term ratings (MIG 1 by Moody's, and SP-1+ by S&P) for its 2011-12 Tax and Revenue Anticipation Note of \$150,000 and had its long-term issuer rating confirmed.

Major Initiatives

Water Quality: The County of Orange, Orange County Flood Control District (District), and 34 cities (collectively, the "Permittees") operate water quality programs pursuant to the National Pollutant Discharge Elimination System permits, issued under 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 2009 imposed stricter, more detailed, requirements than previous municipal storm water permits to increase Permittee accountability, expand local regulatory oversight of the built environment, transform land development requirements, and include additional Total Maximum Daily Loads (TMDLs).

During 2011-12 the permittees completed development of a model Water Quality Management Plan and companion Technical Guidance Document to meet the Low Impact Development (LID) and hydromodification mitigation obligations for land development in the Santa Ana Regional Board area of Orange County. The significantly revised program was approved by the Santa Ana Regional Board and implementation of the revised program was initiated with significant training and outreach for permittee planning staff and the development industry. A companion program was also developed for the area of Orange County under the jurisdiction of the San Diego Regional Board but will be implemented at a later date based on different permit conditions.

The County's multi-year effort with the Santa Ana Regional Board, San Bernardino County, Riverside County and the Santa Ana Watershed Project Authority to review and update the water quality standards that are used to determine whether beaches and streams are unsafe because of pollution reached an important milestone with approval of Basin Plan amendments by the Santa Ana Regional Board. Additional approval by the State Water Resources Control Board, Office of Administrative Law and United States Environmental Agency is still required.

The permittees are continuing to invest in runoff reduction and treatment programs as well as watershed scale assessment and planning initiatives. One recently completed project included enhancements to the operation of the water quality treatment system to remove bacteria from Prima Deshecha Flood Control Channel upstream of Poche Beach in San Clemente. The system attained its highest operational efficiency to date during the important summer recreation season. At the watershed scale, a model Watershed Hydromodification and Infiltration Management Plan was developed for the Coyote Creek Watershed in north Orange County and Integrated Regional Water Management Plans were developed for the North and Central Watershed Management Areas of the County.

Labor Agreements: Most County employees are represented by sixteen bargaining units within seven labor organizations, the principal labor organization being the Orange County Employees Association ("OCEA"), which consists of the Community Services, County General, Office Services, Probation Services, Probation Supervisory Management, Sheriff Special Officers & Deputy Coroner, Supervisory Management, and Health Care Professional Units. All contracts are in the process of negotiations and County employees continue to work under the terms of their previous contract with no interruption.

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, 2011. This represents the County's 17th consecutive award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

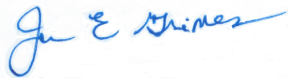
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both

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 ninth consecutive Popular Annual Financial Report (PAFR) titled the "OC Citizens' Report" for the year ended June 30, 2011. 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. The "OC Citizens' Report" is available for viewing at <http://egov.ocgov.com/ocgov/Auditor-Controller/Financial Statements>.

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,



Jan E. Grimes, CPA
Chief Deputy
Auditor-Controller



Frank Kim, Interim
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, 2011

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.



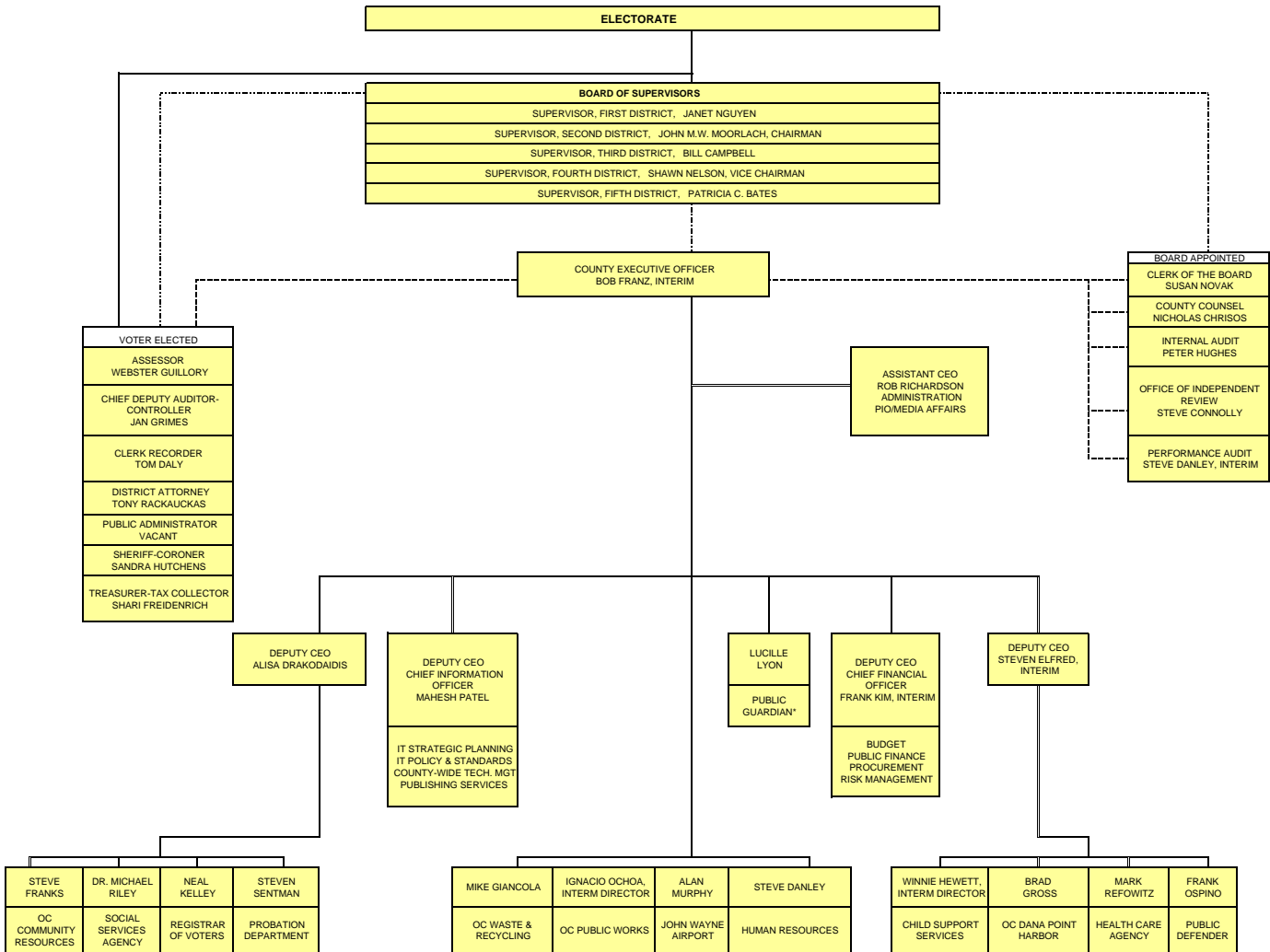
Christopher P. Mouill

President

Jeffrey R. Egan

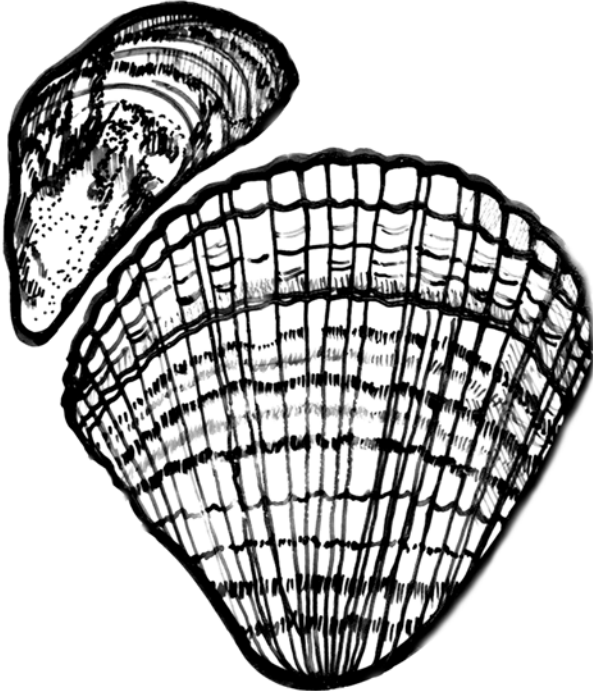
Executive Director

ORGANIZATIONAL CHART
(As of September 23, 2012)



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

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Orange, California (County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2012, 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 described in Note 2, the Orange County Development Agency (OCDA) was dissolved on February 1, 2012 pursuant to Assembly Bill (AB) x1 26. Certain assets of the former Redevelopment Agency were transferred to the Housing Asset Fund of the County pursuant to Health and Safety Code Section 34176. All other remaining assets, contracts and enforceable obligations were transferred to the OCDA Redevelopment Successor Agency resulting in an extraordinary loss in the amount of \$69,639,000 to the County's governmental activities.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

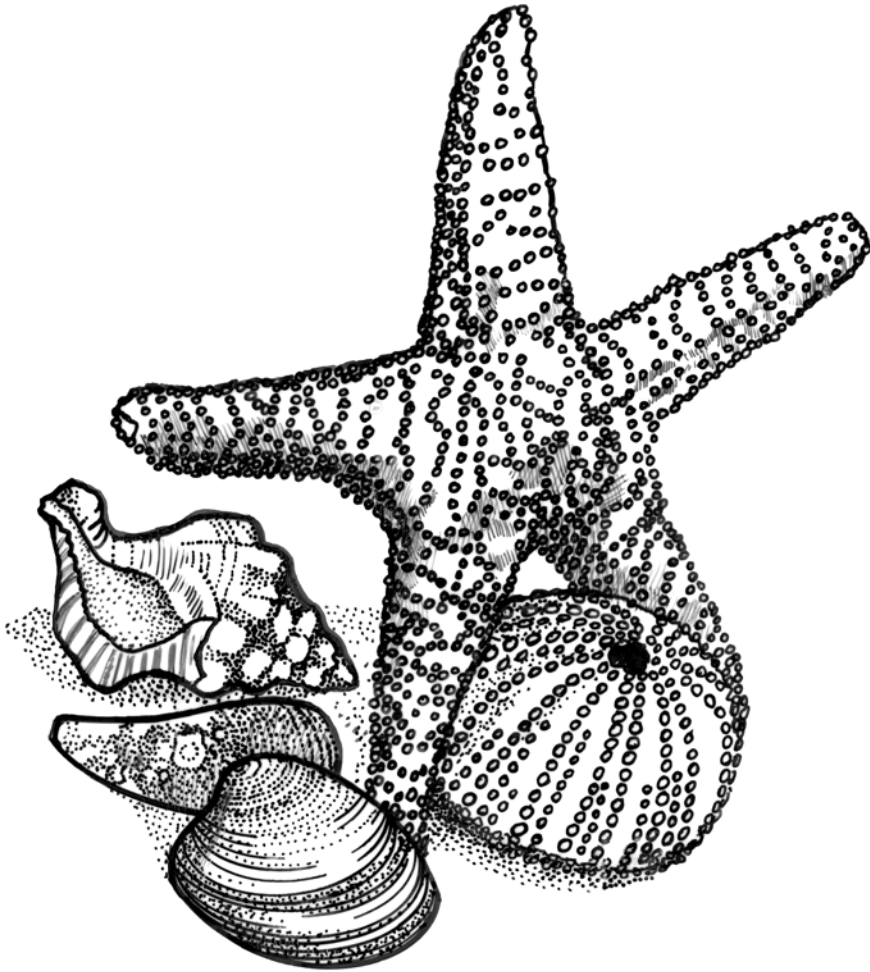
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and schedule of employer contributions on pages 13 through 38 and 150 through 151 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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 and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Laguna Hills, California
December 18, 2012





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, 2012. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County’s overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets decreased by \$25,482, or 1% as compared to last year.
- Long-term debt decreased by \$153,101, or 22% during the current fiscal year.
- The County’s governmental funds reported combined ending fund balances of \$1,735,246, a decrease of \$73,004, or more than 4% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 20% below budget.
- General Fund expenditures and other financing uses ended the year 24% below budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

<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, waste management, and compressed natural gas.

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 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 2011-12, a decrease of \$51,091 in net assets in the government-wide financial statements was reported, a decrease of \$73,004 in fund balances was reported in the fund financial statements. Refer to the financial analysis of the governmental activities and governmental funds below 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, Waste Management, and Compressed Natural Gas. **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, 2012, the County's combined net assets (governmental and business-type activities) totaled \$4,993,718, a decrease of 1% from FY 2010-11.

The largest component of the County's net assets (66%) was **invested in capital assets, less any related outstanding debt** used to acquire those assets. The County's capital assets are used to provide needed services to its citizens. 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 \$1,330,663 which represents 27% of its net assets. Restricted net assets are resources 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, 2012, governmental activities showed \$37,790 in unrestricted net assets, compared to a deficit of \$73,741 in FY 2010-11. The increase in unrestricted net assets is primarily the result of the reclassification of the County's Other Postemployment Benefit (OPEB) and a portion of the long-term debt obligations from restricted to unrestricted, in accordance with Generally Accepted Accounting Principles (GAAP). Additionally, a portion of net assets were restricted to account for prepaid costs related to funds deposited with the Orange County Employees Retirement System (OCERS), which are solely available to fund the County's future pension costs. For additional information regarding this pension investment asset with OCERS, see Note 18, Retirement Plans.

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

NET ASSETS – Primary Government						
June 30, 2012						
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS						
Current and other assets	\$ 2,842,352	\$ 3,068,335	\$ 774,341	\$ 803,587	\$ 3,616,693	\$ 3,871,922
Capital assets	2,687,008	2,693,774	826,351	789,589	3,513,359	3,483,363
Total Assets	5,529,360	5,762,109	1,600,692	1,593,176	7,130,052	7,355,285
LIABILITIES						
Long-term liabilities	915,449	1,029,877	449,641	458,820	1,365,090	1,488,697
Other liabilities	686,003	753,233	85,241	94,155	771,244	847,388
Total Liabilities	1,601,452	1,783,110	534,882	552,975	2,136,334	2,336,085
NET ASSETS						
Invested in capital assets, net of related debt	2,699,809	2,626,281	574,982	591,664	3,274,791	3,217,945
Restricted	1,190,309	1,426,459	140,354	134,969	1,330,663	1,561,428
Unrestricted	37,790	(73,741)	350,474	313,568	388,264	239,827
Total Net Assets	\$ 3,927,908	\$ 3,978,999	\$ 1,065,810	\$ 1,040,201	\$ 4,993,718	\$ 5,019,200

As of June 30, 2012, the County's total assets decreased by 3% or \$225,233 during the current fiscal year. Current and other assets decreased by \$255,229 (7%) due primarily to a decrease in prepaid costs for the County's prepayment of its annual required contribution to the OCERS, as compared to the prior year, and a decrease in cash partly resulting from the dissolution of the Orange County Development Agency (OCDA), which transferred assets to a Successor Agency pursuant to ABX1 26. The decrease in current and other assets is also attributable to an overall decrease in restricted cash and cash equivalents and due from other governmental agencies for various programs. Refer to Note 1, Summary of Significant Accounting Policies; Note 2, Extraordinary Items; Note 11, Long-Term Obligations; and Note 12, Conduit Debt Obligations and Successor Agency Debt, for additional information regarding the OCDA dissolution. Refer to Note 4, Deposits and Investments; Note 10, Short-Term Obligations; and Note 18, Retirement Plans for further information regarding the 2012 Pension Obligation Bonds (POBs) and the prepayment of the FY 2012-13 pension obligation. Capital assets increased by \$29,996 (1%), as a result of construction for the Airport Improvement Program, offset by a slight decrease in capital assets for governmental activities.

Total liabilities for FY 2011-12 decreased by 9% or \$199,751, due primarily to a decrease in liabilities resulting from the dissolution of the OCDA, and a decrease in the issuance amount of the 2012 POBs, in comparison to the 2011 POBs. The retirement of long-term debt obligations in FY 2011-12 is also contributing to the overall decrease in liabilities. Refer to Note 11, Long-Term Obligations, for further information regarding debt retirement.

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, 2012						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues:						
Charges for Services	\$ 522,406	\$ 567,549	\$ 228,755	\$ 227,135	\$ 751,161	\$ 794,684
Operating Grants and Contributions	1,800,296	1,706,231	212	657	1,800,508	1,706,888
Capital Grants and Contributions	39,010	170,516	5,216	6,544	44,226	177,060
General Revenues:						
Property Taxes	486,828	492,112	--	--	486,828	492,112
Property Taxes in Lieu of Motor Vehicle License Fees	303,955	228,421	--	--	303,955	228,421
Other Taxes	43,568	83,938	134	--	43,702	83,938
Grants and Contributions not Restricted to Specific Programs	9,377	27,457	--	--	9,377	27,457
State Allocation of Motor Vehicle License Fees	2,667	49,889	--	--	2,667	49,889
Other General Revenues	61,320	88,266	5,038	6,618	66,358	94,884
Gain on Sale of Capital Assets	34	--	--	--	34	--
Total Revenues	3,269,461	3,414,379	239,355	240,954	3,508,816	3,655,333
EXPENSES						
General Government	161,615	223,710	--	--	161,615	223,710
Public Protection	1,231,925	1,174,859	--	--	1,231,925	1,174,859
Public Ways and Facilities	144,382	136,017	--	--	144,382	136,017
Health and Sanitation	593,657	586,525	--	--	593,657	586,525
Public Assistance	930,348	931,263	--	--	930,348	931,263
Education	41,226	39,788	--	--	41,226	39,788
Recreation and Cultural Services	102,762	101,993	--	--	102,762	101,993
Interest on Long-Term Debt	56,765	53,806	--	--	56,765	53,806
Airport	--	--	107,120	88,059	107,120	88,059
Waste Management	--	--	94,553	93,985	94,553	93,985
Compressed Natural Gas	--	--	306	349	306	349
Total Expenses	3,262,680	3,247,961	201,979	182,393	3,464,659	3,430,354
Excess before Transfers	6,781	166,418	37,376	58,561	44,157	224,979
Transfers	11,767	12,681	(11,767)	(12,681)	--	--
Dissolution of Orange County Development Agency	(69,639)	--	--	--	(69,639)	--
Increase/ (Decrease) in Net Assets	(51,091)	179,099	25,609	45,880	(25,482)	224,979
Net Assets - Beginning of the Year	3,978,999	3,799,900	1,040,201	994,321	5,019,200	4,794,221
Net Assets - End of the Year	\$ 3,927,908	\$ 3,978,999	\$ 1,065,810	\$ 1,040,201	\$ 4,993,718	\$ 5,019,200

As of June 30, 2012, the County's net assets decreased by \$25,482 during the current fiscal year. Revenues for the year totaled \$3,508,816, a decrease of \$146,517 from the previous year, and expenses, including transfers and an extraordinary loss totaled \$3,534,298, an increase of \$103,944 from prior year's total expenses.

Governmental Activities

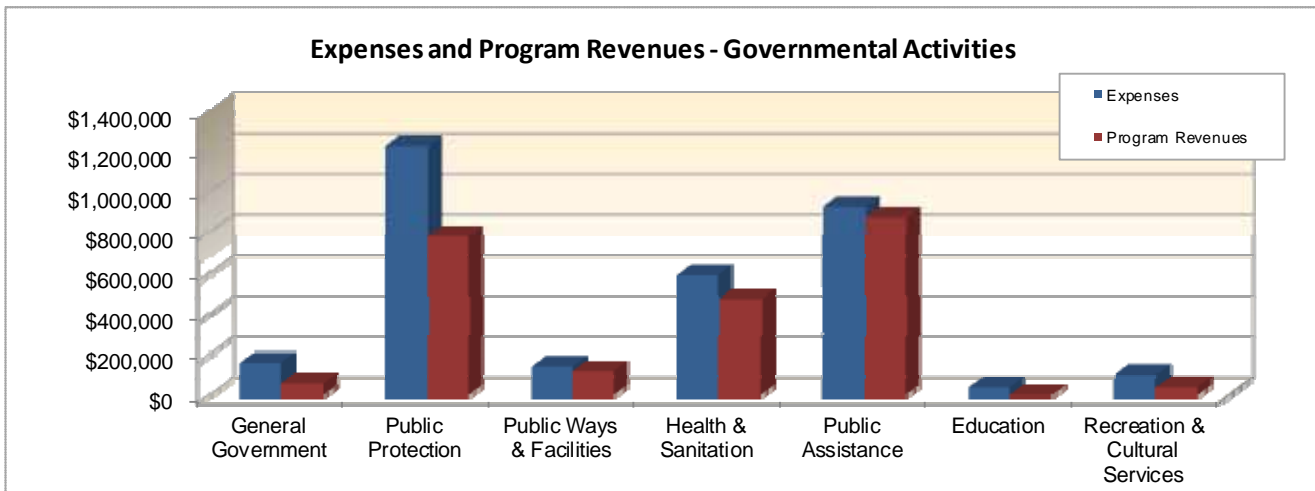
The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating grants and contributions comprised the largest revenue source for the County followed by charges for services. Operating grants and contributions are monies received from parties outside the County and are generally restricted to one or more specific programs such as State and Federal revenues for public assistance and for health care. In the governmental funds, grant revenues are recognized when the qualifying expenses have been incurred and all other grant requirements have been met. As expenses 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 2011-12, total revenues for governmental activities, including transfers from the business-type activities, were \$3,281,228, a decrease of \$145,832 from the previous year. Expenses, including an extraordinary loss totaled \$3,332,319, an increase of \$84,358 from the prior year. Governmental activities decreased the County's net assets by \$51,091, accounting for a majority of the total decrease in the net assets of the County. In addition to the effects of grants, key elements of the decrease are as follows:

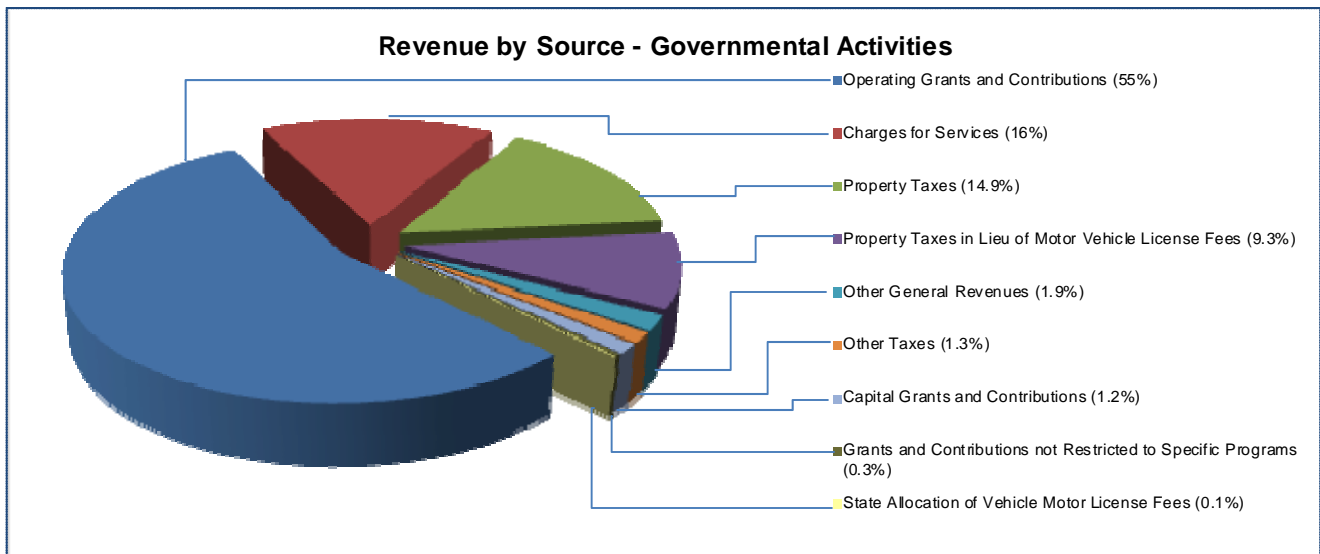
- Charges for services decreased by \$45,143, due primarily to the reallocation of trial court security revenue to intergovernmental revenues, due to the State's realignment of Public Safety programs pursuant to Assembly Bill (AB) 118. AB 118 outlines the financial structure for allocating funds to a variety of programs for realignment and directs the County to create a Local Revenue Fund to receive these funds for specified purposes in accordance with Government Code Section 30025.
- Capital grants and contributions decreased by \$131,506, due primarily to the donation of 20,000 acres of open space land to OC Parks from the Irvine Company in FY 2010-11.
- Other taxes decreased by \$40,370, due to a decline in sales and use taxes (\$38,000) since these monies are being allocated to the Orange County Transportation Authority (OCTA) rather than the General Fund. In connection with the plan permitting the County to exit from bankruptcy, the State Legislature passed California Government Code Sections 25350.8 and 25350.10 which created a pledge of certain sales tax revenues to pay the 1996 Certificates which partially consisted of \$38,000 annually through July 1, 2011, from the county sales tax dedicated to county transportation purposes under the Bradley Burns Act. Since the payment of the 1996 Certificates was secured, the \$38,000 in sales tax dedicated to transportation was allocated back to OCTA beginning in FY 2011-12.
- State allocation of motor vehicle license fees (VLF) decreased by \$47,222, due to less VLF collections in FY 2011-12 pursuant to Revenue and Taxation Code 97.8. Refer to the "Financial Analysis of the County Funds," for further information regarding this decrease in revenue.
- Property taxes in lieu of motor VLF increased by \$75,534 pursuant to Revenue and Taxation Code 97.7, which eliminated VLF revenues for counties and replaced this revenue with an equal amount of property taxes. Refer to the "Financial Analysis of the County Funds," for further information regarding this increase in revenue.
- Operating grants and contributions increased by \$94,065, due primarily to 1) the reallocation of trial court security revenue, as a result of the State's realignment of Public Safety programs, 2) an increase in AB 109 revenue which mandates that inmates that were previously sentenced to State prison for non-violent, non-serious crimes, will now serve their prison time in a County custody facility, 3) an increase in health and welfare realignment revenue, and 4) an increase in State allocations of the one-half cent Proposition 172 Public Safety Sales Tax funds over the prior year. Partially offsetting the increase in operating grants and contributions was a decrease in State and Federal allocations for various public assistance programs.
- An increase of \$57,066 in expenses for public protection, due to an increase in 1) operational costs for the Sheriff Department in the areas of Salaries and Employee Benefits (S&EB), property and liability insurance, as well as services and supplies (S&S) contracts, 2) judgment and claims related to the Flood Control District, 3) Santa Ana River Interceptor (SARI) Line loan obligation expense drawdowns, 4) depreciation expense, and 5) contributions to non-County government agencies, as a result of excess monies owed to the State for the implementation of audit findings due to the State Controller's audit of Court revenues for the period FY 2003-04 through FY 2011-12.

- An increase of \$8,365 and \$7,132 in expenses for public ways and facilities and health and sanitation, respectively, due to an overall increase in S&S and professional services.
- Offsetting the overall increase in expenses was a decrease in expenses of \$62,095 for the general government due primarily to 1) a decrease in bad debt expense for SB 90 mandated cost reimbursements that were not expected to be received from the State over the prior year, 2) a decrease in OCDA bankruptcy recovery contributions to the General Fund and Neighborhood Development and Preservation Project pass-through payments to various districts, as a result of the dissolution of redevelopment agencies in the State of California, pursuant to ABX1 26, 3) a loss on the disposal of capital assets in FY 2011-12, and 4) a decrease in S&S and professional services expenses.
- The dissolution of the OCDA, pursuant to the ABX1 26, contributed to the decrease in the net assets of the County as well. As a result of the ABX1 26, the County reported an extraordinary loss of \$69,639. Refer to Note 1, Summary of Significant Accounting Policies; Note 2, Extraordinary Items; Note 11, Long-Term Obligations; and Note 12, Conduit Debt Obligations and Successor Agency Debt, for further information regarding the dissolution of the OCDA.

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

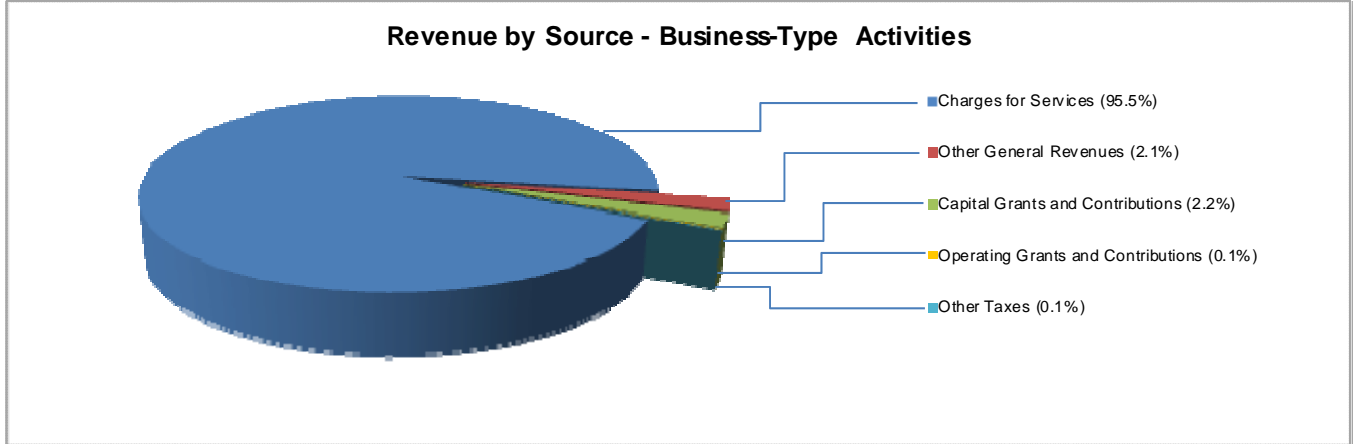


The chart below presents the percentage of total revenues by source for governmental activities:



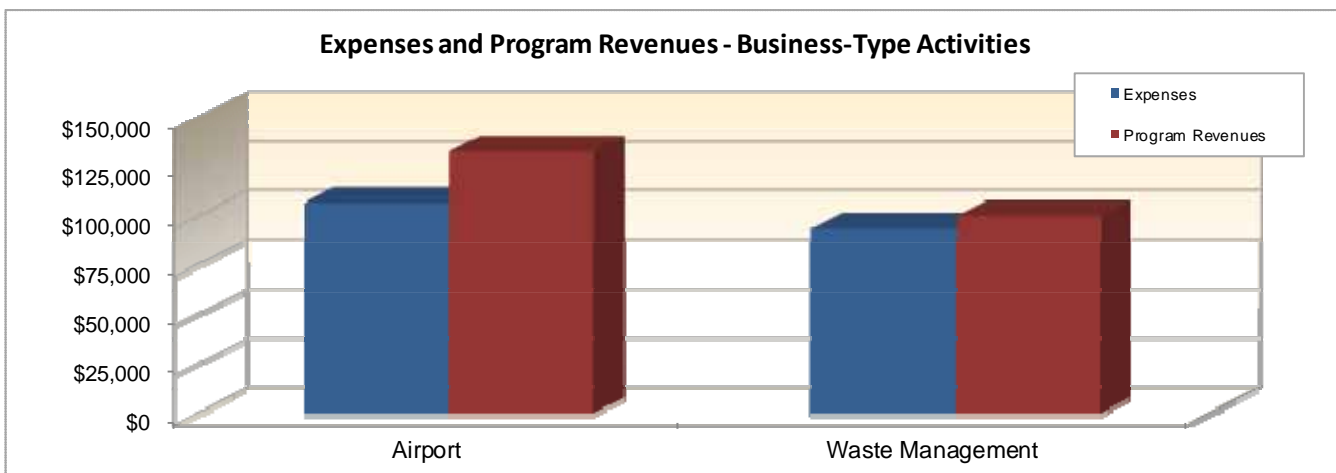
Business-Type Activities

The County has three business-type activities: Airport, Waste Management, and Compressed Natural Gas. 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.



At the end of FY 2011-12, the business-type activities' total revenues exceeded expenses, resulting in an increase in net assets of \$25,609, compared to the prior year's increase of \$45,880. Revenues totaled \$239,355, a decrease of \$1,599 from the previous fiscal year, which is attributable to a decrease in interest revenue resulting from declining investment yields in the County Treasurer's investment pool, a decrease in Federal Transportation Security Administration Grant monies, and lower sanitation and landfill disposal fees collected from importation tonnage. Partially offsetting the decrease in revenues was an increase in rents and concessions for the Airport's new Terminal C, and an increase in capital contributions for the donation of a Landfill Gas (LFG) Collection System from Bowerman Power LLC. Expenses, including transfers to governmental activities, totaled \$213,746, representing an increase of \$18,672 from the previous year. The increase in expenses is primarily due to Airport related activities, which includes an increase in interest expense, services and supplies for custodial services, building maintenance, security, furnishing costs for the new Terminal C, and depreciation expense for capital assets placed into service, including Terminal C and Parking Structure C. Other factors concerning the finances of the County's two major 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 (major enterprise funds):



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 the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, with the difference reported as fund balance. Fund balance, excluding nonspendable fund balance, may serve as a valuable measure of the government's available financial resources for spending at the end of a fiscal year. This amount is available for spending at the discretion of the County's Board of Supervisors (the Board) in order to achieve the established function of the respective funds.

At June 30, 2012, the County's governmental funds reported total fund balances of \$1,735,246, which is a decrease of \$73,004 in comparison with the prior year.

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 change 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, 2012						
	Revenues and Other		Expenditures, Other		Net Change in	
	Financing Sources		Financing Uses, and		Fund Balances	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Fund	\$ 2,695,951	\$ 2,635,546	\$ 2,621,311	\$ 2,657,400	\$ 74,640	\$ (21,854)
Roads	89,098	72,467	124,043	91,180	(34,945)	(18,713)
Flood Control District	175,414	144,820	119,594	93,370	55,820	51,450
Other Public Protection	51,856	66,781	46,064	53,192	5,792	13,589
Teeter Plan Obligation Commercial						
Paper Program Note	17,094	25,679	12,036	30,643	5,058	(4,964)
Other Governmental	676,891	712,614	856,260	672,752	(179,369)	39,862
Total	\$ 3,706,304	\$ 3,657,907	\$ 3,779,308	\$ 3,598,537	\$ (73,004)	\$ 59,370

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 2011-12, revenues and other financing sources exceeded expenditures and other financing uses, resulting in an increase in fund balance of \$74,640 compared to last year's decrease in fund balance of \$21,854. Revenues and other financing sources increased by \$60,405 and expenditures and other financing uses decreased by \$36,089 resulting in a net change in fund balance of \$96,494 from the prior year. The following is a brief summary of the primary factors which contributed to the increase in the net change in fund balance for the General Fund in FY 2011-12:

- Tax revenue increased by \$55,264, due primarily to an increase in property taxes in-lieu of VLF and current secured property taxes, pursuant to Revenue and Taxation Code Sections 97.7 and 97.8, respectively. Revenue and Taxation Code 97.7 eliminated VLF revenues for counties and replaced this revenue with an equal amount of property taxes. When SB 89 was enacted on July 7, 2011, it terminated the County's annual receipt of VLF and redirected it to the State's Local Revenue Fund. As a result, the Auditor-Controller adjusted the property taxes to be allocated to the County and eliminated the reduction in the County's pre-SB 89 set aside. Due to this adjustment and the growth in property values, the County received an additional \$75,534 from the VLF compensation fund.

- Partially offsetting the increase in tax revenues was a slight decrease in current supplemental property tax rolls resulting from a delay in the delivery of the current supplemental rolls and a negative supplemental refund processed at year-end. In addition, sales and use taxes decreased by \$38,000 as a result of the transportation sales tax revenue that the County received from the State Board of Equalization being allocated to the OCTA rather than the General Fund. In connection with the plan permitting the County to exit from bankruptcy, the State Legislature passed California Government Code Sections 25350.8 and 25350.10, which created a pledge of certain sales tax revenues to pay the 1996 Certificates, which partially consisted of \$38,000 annually through July 1, 2011, from the county sales tax dedicated to county transportation purposes under the Bradley Burns Act. Since the payment of the 1996 Certificates was secured, the \$38,000 in sales tax dedicated to transportation was allocated back to OCTA beginning in FY 2011-12.
- Intergovernmental revenues increased by \$73,067, which is comprised of 1) an increase in State allocations of the one-half cent Proposition 172 Public Safety Sales Tax funds over the prior year, 2) an increase in Sheriff-Court Operations for the reallocation of trial court security revenue from charges for services to intergovernmental revenue due to the State's realignment of Public Safety programs, pursuant to AB 118, 3) an increase in AB 109 revenue which mandates that individuals sentenced to non-serious, non-violent crimes will serve their sentences in County jails instead of State prison, 4) an increase in Juvenile Probation Camp and Juvenile Justice Crime Prevention Act revenue, and 5) an increase in reimbursements for health and mental health realignment including AB 100 Special Education Pupils funding. The increase in revenues was offset by a decline in revenues for VLF pursuant to Revenue and Taxation Code 97.7, and a decrease in State and Federal allocations of various public assistance programs.
- Charges for services decreased by \$49,601, which was primarily due to the reallocation of trial court security revenue to intergovernmental revenues in FY 2011-12, due to the State's realignment of Public Safety programs pursuant to AB 118. AB 118 outlines the financial structure for allocating funds to a variety of programs for realignment and directs the County to create a Local Revenue Fund to receive these funds for specified programs and purposes in accordance with Government Code Section 30025. Also contributing to the decrease in charges for services, was a decrease in election services revenue as a result of the FY 2010-11 receipt of State reimbursement of the May 19, 2009 Statewide special election costs and the November 2, 2010 General Election, as well as reduced investment administrative fees resulting from cost reductions in the current and previous years. Partially offsetting the decrease in revenue was an increase in institutional and care services revenue due to an agreement to house U.S. Immigration and Custom Enforcement (ICE) detainees for a fee, and other charges for services for Trial Courts, for a one-time adjustment to implement audit findings of the State Controller's audit of Court revenues for the period FY 2003-04 through FY 2011-12.
- Transfers to the General Fund declined by \$18,375 due to a decrease in transfers of delinquent penalties and interest from the Teeter Plan Obligation Commercial Paper Program, and transfers of OC Tobacco Settlement and Center for Disease Control Bioterrorism revenue from Health Care Agency Special Revenue Funds. In addition, transfers of Youthful Offender Block Grant (YOBG) revenue from the Other Public Protection Special Revenue Fund decreased since these funds were directly recorded at year-end in the General Fund as required by the 2011 Public Safety realignment. A rise in transfers of Mental Health Services Act (MHSA) and Emergency Medical services funds offset the overall decline in transfers.
- Expenditures for the general government decreased by \$13,052, which was attributable to the completion of the Human Resources Payroll Upgrade project in FY 2010-11, causing reductions in S&S and equipment expenses, a decrease in election related services for Registrar of Voters, and the cancellation of debt pre-payment for information technology projects due to delays in the Property Tax Management System (PTMS) and Disaster Recovery projects.
- Expenditures for public protection increased by \$29,303, due primarily to an increase in operational costs for the Sheriff Department in the areas of S&EB, property and liability insurance, and S&S contracts. An increase in contributions to non-County government agencies due to the County's excess revenue owed to the State for the implementation of audit findings of the State Controller's audit of Court revenues is also contributing to the increase in expenditures for public protection.
- Expenditures for public assistance decreased by \$17,464 due to a decrease in S&EB for the Social Services Agency, and support and care expenditures as a result of lower caseloads for CalWorks and Aid to Families with Dependent Children Foster-Care. Partially offsetting the decrease in public assistance expenditures was an increase in program costs for the In-Home Supportive Services program due to an increase in caseloads.

- Transfers out declined by \$44,340, due primarily to less transfers to the Debt Service Fund as a result of a decrease in debt service payments for the various County debt issues. Additionally, an interfund loan transferred to the Information Technology Internal Service Fund in FY 2010-11 to offset the cost of a network infrastructure upgrade project is also contributing to the decline in transfers.

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 2011-12, fund balance decreased by \$34,945 compared to last year's decrease in fund balance of \$18,713. Revenues increased by \$16,631, primarily due to an increase of intergovernmental revenues for the receipt of highway users tax monies from the State, and reimbursements of expenditures for the Antonio Parkway Widening project, which was partially offset by a decrease in State Transportation Improvement (STIP) funding received for the Ortega Highway Construction project. In addition, charges for services increased, primarily due to the recognition of developer's deposits and interest for the Foothill Circulation Phasing Plan Road Fee program. Expenditures increased by \$32,863, due to an increase in public ways and facilities expenditures, which was attributable to an increase in professional services due to progress/completion of significant capital projects in FY 2011-12, including work advanced by Operations and Maintenance (O&M), and OC Planning/Planned Communities (OCPPC), as well as S&S expenditures for the South County Roadway Improvement Project (SCRIP). Additionally, capital outlay expenditures increased, due to construction for the southerly segment of Alton Parkway, from Irvine Boulevard to Commerce Centre Drive.

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 2011-12, there was an increase in fund balance of \$55,820, compared to last year's increase in fund balance of \$51,450. Revenues increased by \$30,594, due mainly to an increase in intergovernmental revenues from the Department of Water Resources for the SARI Line project, partially offset by a decrease in long-term loan proceeds to finance the relocation of the SARI. Refer to Note 11 for detailed information regarding the SARI project and financing agreement. Expenditures and other financing uses increased by \$26,224, due primarily to an increase in loan obligation expenditures and construction costs for the SARI Line project, new construction management services in support of relocating the SARI Line, engineering services to expedite the completion of flood control facility repair and rehabilitation projects, and costs associated with the acquisition of land and the relocation of tenants for the Prado Dam Project. Partially offsetting the increase in expenditures was a decrease in capital outlay for OC Flood, due to the Westminster Channel Improvement project being completed in the prior fiscal year and delays in the construction of the Edinger Storm Channel project.

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 2011-12, there was an increase in fund balance of \$5,792 compared to last year's increase in fund balance of \$13,589. Revenues and other financing sources decreased by \$14,925, which was attributable to a decrease in transfers (\$3,731) of excess Proposition 172 Public Safety Sales Tax funds from the General Fund and intergovernmental revenues (\$6,576) for the YOBG program, since monies are now being recorded in the General Fund instead of the Juvenile Justice Reform Special Revenue Fund as a result of the State's realignment of Public Safety Programs. In addition, fines, forfeitures, and penalties (\$5,708) declined, due to a decrease in 1) penalty and settlement collections pursuant to Proposition 64 – Consumer Protection, and 2) allocations of County penalty assessment revenue resulting from a State audit of court revenues. Partially offsetting the decrease in revenues was an increase in other revenues (\$986) for commissary sales to the jail population as a result of housing inmates pursuant to AB 109 State Realignment. Expenditures and other financing uses decreased by \$7,128, due to a decline in transfers (\$6,947) to the General Fund for YOBG program revenues as a result of the State's realignment of Public Safety Programs, District Attorney for penalty assessment collections due to an adjustment of Orange County Jail funding and reduced revenues determined by a State audit of court revenues, and other funds for the allocation of State Criminal Alien Assistance (SCAAP) funds. In addition, capital outlay (\$5,091) decreased as a result of expenditures for the renovation of the Regional Narcotics Suppression Program building and 800 MHz Countywide Coordinated Communications equipment purchases, radio site development projects, and equipment replacement and maintenance projects being incurred in the prior year. Partially offsetting the decrease was an increase in expenditures (\$4,910), which was primarily attributable to an increase in S&S and professional services.

Teeter Plan Obligation Commercial Paper Program Note

This fund accounts for the activities related to the Teeter Program, the funding for which was restructured in 2008 from long-term bonds to a commercial paper (CP) program. At the end of FY 2011-12, fund balance increased by \$5,058 as compared to last year's decrease in fund balance of \$4,964. Revenues decreased by \$8,585, due to a decline in delinquent secured tax penalty and interest collections. Expenditures and other financing uses decreased by \$18,607, which was caused by a decrease in transfers (\$18,000) of excess delinquent secured tax penalties and interest to the General Fund.

Other Governmental Funds

Other governmental funds encompass nonmajor funds, which include special revenue funds, debt service funds, capital project funds, and a permanent fund. At the end of FY 2011-12, fund balance decreased by \$179,369 in comparison to the prior year's increase in fund balance of \$39,862. Revenues and other financing sources decreased by \$35,723, due to less transfers (\$27,954) from the General Fund to the Debt Service Fund in connection with debt service payments for the various County debt issues, a decrease in intergovernmental revenues (\$26,665), primarily due to less State allocations received for mental health services and bioterrorism projects, and a decrease in current-secured property taxes (\$10,139). Partially offsetting the decrease in revenues was an increase in refunding bonds issued (\$34,380). On April 25, 2012, the South Orange County Public Financing Authority (SOCPFA) issued the Juvenile Justice Center Facility Lease Refunding Bond, Series 2012, in the principal amount of \$34,380, to redeem the outstanding Orange County Public Financing Authority (OCPFA) Juvenile Justice Center Facility Lease Revenue Refunding Bond, Series 2002. Refer to Note 11, Long-Term Obligations, for further information regarding the Juvenile Justice Center Facility Lease Refunding Bond, Series 2012. Expenditures, other financing uses, and an extraordinary loss increased by \$183,508, due to payment to the refunded bond escrow agent (\$40,491) for the Juvenile Justice Center Facility Lease Revenue Refunding Bond, Series 2002 and the transfer of OCDA assets and liabilities (including bond debt) to the OCDA Successor Agency, resulting in an extraordinary loss of \$113,615. On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA's) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations. For additional information regarding the dissolved RDA's, refer to Note 1, Summary of Significant Accounting Policies; Note 2, Extraordinary Items; Note 11, Long-Term Obligations; and Note 12, Conduit Debt Obligations and Successor Agency Debt. In addition, individual fund data for each of these nonmajor governmental funds is provided in the combining financial statements/schedules in the supplemental information section of this report.

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

COMPARATIVE FUND BALANCE				
Governmental Funds				
June 30, 2012 and 2011				
	2012	2011	Increase/(Decrease) %	
General Fund	\$ 353,234	\$ 278,594	27 %	
Roads	72,245	107,190	(33)%	
Flood Control District	387,992	332,172	17 %	
Other Public Protection	125,303	119,511	5 %	
Teeter Plan Obligation Commercial Paper Program Note	(3,016)	(8,074)	63 %	
Other Governmental Funds	799,488	978,857	(18)%	
Total \$	1,735,246	\$ 1,808,250	(4)%	

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 funds, which are considered to be major funds of the County, and Compressed Natural Gas. 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, 2012						
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Airport	\$ 134,872	\$ 133,337	\$ 105,935	\$ 86,804	\$ 28,937	\$ 46,533
Waste Management	103,934	107,303	105,855	106,271	(1,921)	1,032
Compressed Natural Gas	431	617	306	399	125	218
Total	\$ 239,237	\$ 241,257	\$ 212,096	\$ 193,474	\$ 27,141	\$ 47,783

Airport

This fund accounts for major construction and self-supporting aviation related activities rendered at John Wayne Airport, Orange County (JWA). At the end of FY 2011-12, there was an increase in fund net assets of \$28,937, compared to the prior year increase of \$46,533. Revenues, contributions, and transfers increased by \$1,535, due primarily to an increase in rents and concessions for Terminal C, partially offset by a decrease in Transportation Security Administration Grant monies. Expenses and transfers increased by \$19,131, due to an increase in interest expense, services and supplies for Central Utility Plant maintenance costs and furnishing of the new Terminal C, and depreciation expense for capital assets placed into service, including Terminal C and Parking Structure C.

Waste Management

This fund is used to account for the operation, expansion, and closing of existing landfills. Monies are collected through landfill disposal fees, which users pay based primarily on tonnage. At the end of FY 2011-12, there was a decrease in fund net assets of \$1,921 compared to the prior year increase of \$1,032. Revenues, contributions, and transfers decreased by \$3,369, which was primarily due to a decrease in sanitation and landfill disposal fees collected for waste, recycling, and importation, as well as interest revenues due to a lower annual rate of return from the County Treasurer's investment pool. The decrease in revenues was partially offset by an increase in capital contributions for the donation of a LFG Collection System from Bowerman Power LLC. Expenses and transfers decreased by \$416, due primarily to a decrease in pollution and remediation expenses, transfers to the General Fund for net imported waste revenue in support of the County Bankruptcy Recovery Plan, due to a decrease in importation tonnage from the prior year, and depreciation expenses. Offsetting the decrease in expenses and transfers was an increase in landfill site closure/postclosure care costs, and contributions to the City of Brea for the extension of operation and expansion at the Olinda Alpha Landfill.

Compressed Natural Gas (CNG)

This fund was established in FY 2009-10 and accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of compressed natural gas sales to both the County and the public.

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:

Taxes

- An increase of \$78,119 in the General Fund to recognize additional property taxes in-lieu of VLF as well as current-secured property tax revenue pursuant to Revenue and Taxation Code Section 97.7 and 97.8, respectively. The increase in property taxes in-lieu of VLF is due to SB 89, which terminated Orange County's annual receipt of VLF revenue. As a result of the enactment of SB 89, the Auditor-Controller recalculated the property taxes that must be allocated to the County and eliminated the reduction in the County's VLF Adjustment Amount (VLFAA), which was attributable to the County's pre-SB 89 VLF set aside. This recalculation resulted in a \$73,587 increase in the County's VLFAA for the 2011-12 fiscal year compared to the prior year.

Intergovernmental Revenue

- An increase of \$10,693 in the Probation Department for Performance Incentive Funds (SB 678) revenue as required by the 2011 Public Safety Realignment and AB 109 revenue for the Post-Release Community Supervision program to offset on-going costs such as increased salary and employee benefits, Global Positioning System contracts, the creation of additional Day Reporting Centers, and one-time costs such as facility/tenant improvements and vehicles.
- An increase of \$27,907 in Sheriff-Coroner comprised of the following:
 - \$12,931 for the State allocation of the one-half cent Proposition 172 Public Safety Sales Tax funds.
 - \$12,084 for AB 109 revenue to offset overtime costs incurred at the various jail facilities as a result of the increased jail population since implementation of AB 109. Effective October 1, 2011, AB 109 mandates that individuals sentenced to non-serious, non-violent crimes will serve their sentences in County jails instead of state prison.
 - \$1,825 for the 2009 Homeland Security Grant program to provide for the purchase of equipment and training needed in incidents of terrorism and weapons of mass destruction, and for the reimbursement of other governmental agencies within the Orange County operational area for equipment purchases associated with homeland security.
 - \$1,067 for revenue received through the 2011 Urban Area Security Initiative funds for interoperable communications enhancements, disabled access, and functional needs emergency management planning.
- An increase of \$42,771 in Sheriff-Court Operations for the reallocation of trial court security revenue from charges for services to intergovernmental revenue due to the State's realignment of Public Safety programs pursuant to AB 118.
- An increase of \$38,653 in the Health Care Agency for the Low Income Health Program (LIHP) to allow for LIHP payments to community health care providers including hospitals, community clinics, and physicians under the extended Coverage Initiative Agreement.
- Offsetting the aforementioned increases in intergovernmental revenues is a decrease of \$49,538 in the General Fund to address the potential loss of motor VLF as a result of the passage of SB 89, which was implemented on July 1, 2011, and a decrease of \$5,063 in the Aid to Families with Dependent Children – Foster Care Agency due to an overall decrease in foster care caseloads.

Charges for Services

- A decrease of \$2,733 in Treasurer-Tax Collector for the refund of excess treasury administrative fees collected from FY 2005-06 through FY 2010-11 to Investment Pool Participants.
- A decrease of \$17,320 in Sheriff-Coroner due to Federal funding shortfalls for the Immigration and Customs Enforcement and U.S. Marshals programs due to lower than anticipated contracts as a result of decreased bed occupancy due to AB 109 realignment.
- A decrease of \$42,771 in Sheriff Court Operations for the reallocation of trial court security revenue from charges for services to intergovernmental revenue due to the State's realignment of Public Safety programs pursuant to AB 118.

- Partially offsetting the overall decrease in charges for services were increases of:
 - \$10,205 in Trial Courts for a one-time adjustment to implement audit findings of the State Controller's audit of Court revenues for the periods FY 2003-04 through FY 2011-12.
 - \$3,711 in Sheriff-Coroner for the reclassification of Neighborhood Development and Preservation Project revenue from a transfer in to charges for services.
 - \$2,411 in revenue for the OC Community Resources Department to implement a minor reorganization designed to enhance operational efficiencies within the Agency.

Bond Issuance Proceeds

- An increase of \$240,000 due to the anticipated proceeds from the County's issuance of the Taxable Pension Obligation Bonds, 2012 Series A. Refer to Note 10, Short-Term Obligations, for information regarding the Taxable Pension Obligation Bonds, 2012 Series A.

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 \$40,983 in appropriations to be set aside to fund new capital projects and deferred maintenance of Public Safety Facilities, a Coalescer Filter Installation at the Cogeneration plant, payment to the Internal Revenue Service related to the Cogeneration Bond arbitrage rebate liability, and an allocation for contingencies related to emergency maintenance and repair, and possible funding related to the Board directed Facility Master Plan.

Data Systems Development Project

- An increase of \$34,224 in appropriations for the Assessment Tax System Re-Engineering project, CEO Information Technology labor costs associated with the replacement of the Public Administrator/Public Guardian Case Management System, early principal repayment of information technology project loan balances as of June 30, 2012, and CAPS+ Budget Reporting and Analysis Support System (BRASS) Update project.

Prepaid Pension Obligation

- An increase of \$240,000 in appropriations for the prepayment of the County's FY 2012-13 actuarially required contribution to the OCERS.

Sheriff-Coroner

- An increase of \$15,529 in appropriations to primarily offset overtime costs incurred at the various jail facilities as a result of the increased jail population since implementation of AB 109.

Health Care Agency

- An increase of \$31,499 in appropriations to primarily allow for LIHP payments to community health care providers including hospitals, community clinics, and physicians under the extended Coverage Initiative Agreement.

Aid to Families with Dependent Children – Foster Care

- A decrease of \$13,620 in appropriations due to an overall decrease in foster care caseloads.

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 Revenue

- A \$5,668 negative variance in Sheriff-Coroner due primarily to timing differences of pending claims and payment delays of Federal grants, including Homeland Security grants partially offset by increases in State Proposition 172 Public Safety Sales Tax revenue.

- A \$11,106 negative variance in OC Watersheds primarily resulting from budgeted projects with revenue offsets that were deferred or reduced, including the Serrano Creek, San Diego Creek Basin Dredging, Cienega Selenium Diversion, and Bacteria Reduction program at Baby Beach, as well as Proposition 84 Grant pass-through monies being below budgeted estimates.
- A \$23,434 negative variance in Health Care Agency primarily due to LIHP revenues under budget due to delays in Federal and State concurrence on claiming protocols, offset by higher than budgeted reimbursements for Health and Mental Health realignment, AB 109 realignment, and AB 100 Special Education Pupils funding.
- A \$25,698 negative variance in the CalWORKS Family Group/Unemployed Parents Agency as a result of lower actual CalWORKS caseloads and claimable expenditures than projected, which led to decreased revenues.
- A \$15,144 negative variance in Social Services Agency due to lower than budgeted reimbursements for public assistance programs as a result of expenditure savings from a higher than anticipated vacancy rate, delayed information technology and facility projects, and several cost containment measures.
- Partially offsetting the overall negative variance in intergovernmental revenues were increases of:
 - \$6,422 in the General Fund due to the receipt of motor VLF from the State resulting from an underpayment in FY 2010-11, as well as other-in-lieu of taxes revenue being above budgeted estimates.
 - \$2,506 in the Miscellaneous Agency due to an unanticipated SB 90 reimbursement from the State.
 - \$2,905 in District Attorney due to an increase in State Proposition 172 Public Safety Sales Tax revenue.
 - \$13,652 in the Probation Department which is predominately due to higher than budgeted Juvenile Probation Camp, Juvenile Justice Crime Prevention Act, and Performance Incentive Funds (SB 678) revenue, offset by lower than budgeted AB 109 revenue due to lower than budgeted expenditure claims.
 - \$7,152 in Sheriff Court Operations primarily due to the recording of trial court security realignment revenue at year-end.

Charges for Services

- An \$8,341 negative variance in Sheriff-Coroner due to retirement rebate adjustments and vacancy credits for Law Enforcement Services, as well as unrealized reimbursements from redevelopment funding for the Community Stabilization Program.
- A \$7,392 negative variance in OC Public Works, primarily due to lower reimbursable costs than budgeted, a loss of redevelopment funding for the Community Stabilization program, and lower than budgeted indirect billings for the allocation of indirect costs.
- A \$9,309 negative variance in Health Care Agency as a result of Mental Health Services and Health Fee revenues under budgeted estimates.
- A \$3,869 negative variance in OC Community Resources due to administrative services charges being inadvertently budgeted to charges for services.
- Offsetting the overall negative variance in charges for services was a \$4,085 increase in the Miscellaneous Agency due to County-Wide Cost Allocation Plan (CWCAP) revenues being above budgeted estimates.

Transfers In

- A \$10,094 negative variance in the Data Systems Development Agency due to the PTMS project not requiring debt financing, reducing the actual need for transfers in from OC Waste and Recycling.
- A \$280,063 negative variance in Prepaid Pension Obligation due to the accounting reclassification of the proceeds for the Taxable Pension Obligation Bonds, 2011 Series A from revenue to a short-term liability for bonds payable.
- A \$4,527 negative variance in Child Support Services resulting from lower than budgeted expenditures for salaries and benefits due to higher than anticipated vacancy rates and lower anticipated professional services, including legal service of process and information technology support, resulting in a reduction of transfers from the Child Support Program Development fund.
- A \$3,980 negative variance in District Attorney, due to expenditure deferrals and reductions, as well as limited unplanned growth in certain revenues reducing the need for transfers in from the Excess Public Safety Sales Tax Fund.
- An \$8,901 negative variance in the Probation Department, due to the recording of Performance Incentive Funds (SB 678) revenue as required by the 2011 Public Safety realignment reducing the need for transfers in from Probation Department special revenue funds.

- A \$6,066 negative variance in Sheriff-Coroner, due to expenditure deferrals, reductions, limited unplanned growth in certain revenues, as well as an adjustment to Orange County Jail funding and on-going reduced revenues determined by a State audit of court revenues, resulting in decreased transfers from Other Public Protection special revenue funds.
- A \$33,895 negative variance in Health Care Agency, due primarily to delays in projects and start-up of contracted services, VLF not meeting base, measures to contain costs, and a decline in tobacco settlement receipts, which resulted in a reduction of actual transfers from the OC Tobacco Settlement fund and Health Care Program special revenue funds.
- A \$12,742 negative variance in Social Services Agency, due to reductions in expenditures for direct service contracts for the Wraparound Program, Children and Family Services programs, and projects at Orangewood Children & Family Center, as well as a deferral of facility maintenance projects resulting in lower transfers from Other Governmental special revenue funds.

Bond Issuance Proceeds

- A \$240,000 negative variance in Prepaid Pension Obligation due to the accounting reclassification of the proceeds for the Taxable Pension Obligation Bonds, 2012 Series A, from revenue to a short-term liability for bonds payable.

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 \$47,947 positive variance is primarily due to the deferral of capital projects and deferred maintenance for public safety from VLF appropriations.

Data Systems Development Project

- A \$16,706 positive variance, primarily due to delays in PTMS projects and cancelation of scheduled debt service as a result of advance repayment of principal balance.

Prepaid Pension Obligation

- A \$516,835 positive variance due primarily to:
 - The accounting reclassification of \$239,500 for the prepayment of the County's 2012-13 actuarially required contribution to the OCERS from an expenditure to a prepaid asset.
 - The redemption of the County of Orange Taxable Pension Obligation Bonds, 2011 Series A in the amount of \$275,920 being reclassified from an expenditure to a reduction in a short-term liability.

Probation

- A \$14,577 positive variance resulting from lower salaries and benefits and services and supplies due predominately to the startup time required for the implementation of AB 109, deputy probation officer hires and other vacant positions.

Sheriff-Coroner

- A \$29,526 positive variance resulting from cost saving measures to reduce salaries and benefits and services and supplies, a pension prepayment discount credit, deferral of information systems equipment purchases, as well as Homeland Security grant purchases delayed to FY 2012-13.

OC Public Works

- A \$10,964 positive variance due to salary and benefit savings resulting from vacant positions, delayed or deferred capital project expenditures, and continued efforts to control and reduce costs.

Health Care Agency

- A \$65,732 positive variance resulting from S&S savings, primarily due to a delay in receipt and pass-through payment of LIHP revenues, lower salaries and benefits due to cost containment efforts, human service contracts for MHSA programs in start-up, as well as the deferral of projects for MHSA.

OC Watersheds

- A \$15,455 positive variance resulting from budgeted projects that were deferred or reduced, including the Serrano Creek, San Diego Creek Basin Dredging, Cienega Selenium Diversion, and Bacteria Reduction program at Baby Beach, as well as Proposition 84 Grant pass-through projects below budgeted estimates.

Aid to Families with Dependent Children – Foster Care

- A \$11,773 positive variance resulting from lower than budgeted caseloads for the Federal Foster Home, Foster Family Agency, Adoption Assistance, Emergency Assistance, and lower contract expenditures for the Wraparound program.

CalWORKS Opportunities and Responsibility to Kids

- A \$28,303 positive variance due to lower CalWORKS actual caseloads than budgeted in FY 2011-12.

Social Services Agency

- A \$37,704 positive variance due to decreased salaries and benefits caused by higher than anticipated vacancy rates and participation in the pension prepayment discount credit as well as decreases in contracted services, delayed information technology and facilities projects, cost containment measures, and reduced caseloads due to Welfare to Work exemptions.

Capital Assets

At June 30, 2012, the County's capital assets for both the governmental and business-type activities amounted to \$3,513,359, net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, equipment, intangible assets, infrastructure, software in development and construction in progress. The total increase in the County's investment in capital assets for the current year was 0.9%.

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

CAPITAL ASSETS							
(Net of Depreciation)							
June 30, 2012							
	Governmental		Business-Type		Total		Increase
	Activities		Activities				(Decrease)
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Land	\$ 788,352	\$ 773,474	\$ 38,083	\$ 38,083	\$ 826,435	\$ 811,557	1.8 %
Structures and Improvements	648,930	598,790	510,887	184,231	1,159,817	783,021	48.1 %
Equipment	70,553	75,163	26,754	30,448	97,307	105,611	(7.9)%
Software	35,379	43,082	--	--	35,379	43,082	(17.9)%
Infrastructure	883,700	887,906	194,317	213,533	1,078,017	1,101,439	(2.1)%
Software in Development	24,779	25,840	--	--	24,779	25,840	(4.1)%
Land Use Rights	1,307	576	--	--	1,307	576	--
Construction in Progress	234,008	288,943	56,310	323,294	290,318	612,237	(52.6)%
Total	\$ 2,687,008	\$ 2,693,774	\$ 826,351	\$ 789,589	\$ 3,513,359	\$ 3,483,363	0.9 %

The following lists the significant expenditures for capital assets in FY 2011-12:

General Fund

- \$4,747 for construction of the Mental Health Services Act campus
- \$1,049 for Homeland Security Grant Program equipment purchases

Roads

- \$15,248 for the construction of the southerly segment of Alton Parkway, from Irvine Boulevard to Commerce Centre Drive
- \$10,545 for the Antonio Parkway Widening Project, from Ladera Planned Community to Ortega Highway
- \$8,082 for the Midway City Street and Drainage Improvements Phases I & II
- \$4,267 for the Katella Avenue Smart Street Widening and Storm Drain Mainline, from Stanton Storm Channel to Jean Street
- \$1,374 for the construction of the Orange Park Boulevard Bridge over Handy Creek

Flood Control District

- \$13,444 for the Santa Ana River Interceptor Line Reallocation Project
- \$6,439 for the acquisition of real property rights for the construction of dikes and other protection structures for the Prado Dam Project
- \$4,329 for the improvement of the Edinger Storm Channel from the I-405 Freeway to Edinger Avenue
- \$3,918 for the Huntington Beach and Talbert Channels Cathodic Protection Systems Project

Other Governmental Funds

- \$3,204 for the purchase of law enforcement vehicles
- \$1,701 for the replacement of penal valves and refurbishment of shower stalls at the Central Men's Jail and Central Women's Jail
- \$1,690 for the Laguna Niguel Library Branch expansion project

Airport

- \$33,402 for the Terminal C gate expansion
- \$16,528 for the Common Use Passenger Processing System Project
- \$4,931 for the construction of airline offices tenant improvements for Terminals A, B, and C
- \$2,814 for the Passenger Boarding Bridges Project
- \$2,758 for the Seismic Remediation Elevated Roadway Project
- \$2,503 for concessionaire tenant improvements for Terminals A, B, and C
- \$2,324 for the Parking Access and Revenue Control Project

Additional information on the County's capital assets can be found in Note 5, Changes in Capital Assets.

Commitments for Capital Expenditures

At the end of FY 2011-12, significant commitments for capital expenditures included the following:

- \$36,500 for the Santa Ana River Interceptor Line Project
- \$25,167 for the East Garden Grove Wintersburg Channel Haster Retarding Basin Project
- \$7,378 for the Phase C3 Liner Project at Prima Landfill
- \$6,147 for the Antonio Parkway Widening Project – Ladera Planned Community to Ortega Highway
- \$3,271 for the Los Alamitos Pump Station: New Pump and Pump House
- \$2,966 for the Fletcher Retarding Basin Project – From Santa Ana River to Upstream Fletcher Retarding Basin
- \$2,927 for the Seismic Remediation Elevated Roadway Project
- \$2,400 for the Construction Management, Construction Quality Control, Archaeo/Paleo Services for Prima Landfill
- \$2,171 for the 17th Street Pavement Rehabilitation & Landscape Improvements – Prospect Avenue to Newport Avenue

Additional information on the County's commitments for capital expenditures can be found in Note 15, Construction and Other Significant Commitments.

Long-Term Debt

At June 30, 2012, the County had a total debt obligation outstanding of \$546,208, excluding capital lease obligations, compensated absences and other liabilities. During the year, the County's outstanding bond obligations decreased by 22%, which is attributable to the retirement of \$138,841 of bond obligations, including \$69,045 of bankruptcy related debt, the addition of \$34,380 in revenue bonds, and the transfer of \$47,330 of OCDA Tax Allocation Refunding Bonds to the OCDA Successor Agency. On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating RDA's statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including the OCDA, and charged with winding down the dissolved RDA's operations. Please refer to Note 1, Summary of Significant Accounting Policies; Note 2, Extraordinary Items; Note 11, Long-Term Obligations; and Note 12, Conduit Debt Obligations and Successor Agency Debt, for additional information regarding the OCDA dissolution.

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. 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, 2012:

LONG-TERM DEBT BOND OBLIGATIONS							
June 30, 2012							
	Governmental Activities		Business-Type Activities		Total		(Decrease)
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Revenue Bonds	\$ 180,135	\$ 294,805	\$ 264,667	\$ 278,824	\$ 444,802	\$ 573,629	(22)%
Certificates of Participation	3,422	4,064	--	--	3,422	4,064	(16)%
Pension Obligation Bonds	47,523	54,680	--	--	47,523	54,680	(13)%
Recovery Bonds	50,196	65,361	--	--	50,196	65,361	(23)%
Add: Premium/(Discount) on Bonds Payable	18,782	25,351	(171)	419	18,611	25,770	(28)%
Less: Deferred Amount on Refunding	(16,416)	(21,556)	(1,930)	(2,639)	(18,346)	(24,195)	(24)%
Total	\$ 283,642	\$ 422,705	\$ 262,566	\$ 276,604	\$ 546,208	\$ 699,309	(22)%

Additional information on the County's long-term debt activity can be found in Note 11, Long-Term Obligations.

Bond Ratings

The County maintained its issuer ratings of Aa1 from Moody's Investors Service and AA- from Standard & Poor's (S&P); currently Fitch Ratings does not provide issuer ratings. In FY 2011-12, the following changes occurred in the County's underlying debt:

- On April 25, 2012, the SOCPFA issued the Juvenile Justice Center Facility Lease Refunding Bonds, Series 2012, to redeem the outstanding OCPFA Juvenile Justice Center Facility Lease Refunding Bonds, Series 2002, fund a reserve fund, and pay costs relating to the issuance of the bonds. The long-term underlying debt ratings for the SOCPFA Juvenile Justice Center Facility Lease Refunding Bonds, Series 2012 are disclosed on the following page.
- With the passage of ABX 1 26 which eliminated RDA's, the OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which included bond debt obligations. Therefore, the long-term debt ratings for the OCDA 2001 Neighborhood Development and Preservation Project Tax Allocation Refunding Bonds and OCDA 2003 Santa Ana Heights Tax Allocation Revenue Bonds are no longer disclosed as a part of the County's underlying debt since they do not constitute an indebtedness or liability of the County.

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

LONG-TERM DEBT RATINGS			
June 30, 2012			
	Standard and Poor's	Moody's	Fitch
2005A Refunding Recovery Bonds	A+	Aa2	AA
2005 Lease Revenue Bonds	A+	Aa3	AA
1991 Parking COPs	NR	Aa3	NR
2006 Lease Revenue Bonds	A+	Aa3	AA
2012 Lease Revenue Bonds	A+	Aa3	NR
1996A Pension Obligation Bonds	NR	Aa1	AA
1997A Pension Obligation Bonds	NR	Aa1	AA
Airport 2003 Revenue Refunding Bonds	AA-	Aa3	AA-
Airport 2009A Revenue Bonds	AA-	Aa3	AA-
Airport 2009B Revenue Bonds	AA-	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:

State Legislation and Budget

Orange County Vehicle License Fees

On June 30, 2011, the Governor signed SB 89, which redirected Orange County's annual receipt of approximately \$49,000 in VLF revenue (Revenue & Taxation Code Section 11001.5(a)(1) and 11005(a)).

All counties in California receive property taxes in lieu of VLF pursuant to Section 97.70 of the Revenue and Taxation Code, as a result of the VLF for property tax swap of 2004. However, in 2004, Orange County's share of property tax in lieu of VLF, which is also known as its "vehicle license fee adjustment amount", was reduced by approximately \$54,000. This reduction was to offset the amount of VLF, which the County received until the passage of SB 89, and that had been pledged for the service of bankruptcy related indebtedness at the time that Section 97.70 was adopted in 2004.

The elimination of the County's VLF revenue requires the Orange County Auditor-Controller to calculate Orange County's allocation of property taxes in lieu of VLF in a manner consistent with the other 57 counties in the state. Due to the growth in property valuation since 2005, when the VLF Swap was enacted, the calculated property tax in lieu of VLF is \$73,500 for FY 2012-13. This amount was included in the County's budget for FY 2011-12 and 2012-13. In an attempt to deprive the County not only of the \$49,000 in VLF revenue, but also the \$73,500 of annual property tax revenue that is legally owed, the State Department of Finance has initiated litigation to challenge the County's calculation of the VLFAA.

Long-Term Financial Planning

Property Tax Management System Upgrade

The County's property tax assessment, collection and allocation system processes approximately \$6,700,000 annually in property taxes and special assessments for the county, 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 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 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.

On July 15, 2008, the Board approved a contract with Tata Consultancy Services (TCS) to develop and implement the new PTMS based on the required specifications documented during the needs assessment. In May 2010, two (2) of the system's twenty-seven (27) modules went live. While a significant amount of software development was fulfilled on the remaining modules during FY 2011-12, additional modules were not placed into production as planned. A decision was made to go-live with the remaining twenty-five (25) modules as an integrated system in FY 2013-14. An amendment to the TCS contract will be processed during FY 2012-13 to add scope for change orders and the new timeline.

As of July 2012, the total approved project budget is \$24,292 with cumulative expenditures of \$13,589 as of June 30, 2012. A budget augmentation will be required to retain TCS and other project staff through the revised project duration.

Renewal of Information Technology Services Contract

The County of Orange has contracted with several third-party suppliers to provide IT services. Xerox is a significant provider of resources under a staff augmentation model established in 2000. The contract with Xerox expired in June 2011 but has been extended while the County completes the IT Sourcing Request for Proposal (RFP) process and selects a new IT sourcing provider(s) to provide services. The RFP included two Scopes of Work: Scope 1 includes Data Center Services, Service Desk, Desktop Support, and Applications Services. Scope 2 includes Countywide converged Data Network and Voice services.

This IT Sourcing Initiative will ensure enhanced service delivery, streamlined operations and best-of-breed technology solutions, which would meet the County's mission of improving the quality of life for the communities we serve by delivering quality, innovative, cost effective and efficient services.

Funding Progress of the County's Retirement System (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) dropped from 82.76% in 2002 to 70.85 % in 2004. Since 2004, the funded ratio increased to 74.08% in 2007 before dropping to 67.03% as of December 31, 2011. The decline in funding status is caused by multiple factors, including OCERS market losses of 20.71% in 2008, changes in actuarial assumptions, changes in methodology, and enhancement of retirement benefits. A schedule of funding progress for OCERS is included in the Required Supplemental Information (RSI) section.

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 OCERS management, as well as providing input at OCERS Board meetings as deemed appropriate.

Reduction in OCERS Assumed Investment Rate of Return

The assumed investment rate of return is the rate of investment yield that the Plan will earn over the long-term future.

On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The reduction will be phased in over a two-year period beginning July 2014 at 7.5% and further reducing to 7.25% effective July 2015. The assumed rate of return reduction will have the impact of increasing contribution rates of members and plan sponsors.

Requests for Information

We hope that the preceding information 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://egov.ocgov.com/ocgov/Auditor-Controller>.



County of Orange
 Comprehensive Annual Financial Report
 June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents (Notes 1 and 4)	\$ 1,691,231	\$ 473,351	\$ 2,164,582	\$ 83,033
Restricted Cash and Cash Equivalents (Notes 1 and 4)	240,412	221,535	461,947	--
Investments (Notes 1 and 4)	6,129	16,352	22,481	--
Deposits In-Lieu of Cash	35	53,502	53,537	--
Internal Balances	20,326	(20,326)	--	--
Due from Component Unit (Note 7)	283	--	283	--
Due from Primary Government (Note 7)	--	--	--	4
Prepaid Costs (Notes 1 and 18)	345,984	9,393	355,377	66
Inventory of Materials and Supplies (Note 1)	1,761	--	1,761	--
Land and Improvements Held for Resale (Note 1)	145	--	145	--
Receivables, Net of Allowances (Note 6)				
Accounts	13,267	15,818	29,085	--
Taxes	56,105	--	56,105	5,109
Interest/Dividends	2,433	1,061	3,494	72
Deposits	2,054	--	2,054	94
Advances	30	--	30	--
Loans	2,958	--	2,958	--
Due from Other Governmental Agencies (Note 6)	390,924	3,655	394,579	1,043
Notes Receivable (Note 6)	32,249	--	32,249	--
Net Pension Obligation (Notes 11 and 18)	60	--	60	--
Net Other Postemployment Benefits (Note 19)	35,966	--	35,966	--
Capital Assets (Notes 1 and 5)				
Not Depreciable/Amortizable	1,048,238	94,393	1,142,631	--
Depreciable/Amortizable (Net)	1,638,770	731,958	2,370,728	--
Total Capital Assets	<u>2,687,008</u>	<u>826,351</u>	<u>3,513,359</u>	<u>--</u>
Total Assets	<u>5,529,360</u>	<u>1,600,692</u>	<u>7,130,052</u>	<u>89,421</u>

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

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts Payable	\$ 72,000	\$ 14,613	\$ 86,613	\$ 3,863
Salaries and Employee Benefits Payable	70,887	1,791	72,678	77
Retainage Payable	6,271	2,731	9,002	2,385
Interest Payable	4,295	6,271	10,566	--
Notes Payable (Note 10)	118,764	--	118,764	--
Deposits from Others	29,526	55,557	85,083	--
Due to Primary Government (Note 7)	--	--	--	283
Due to Component Unit (Note 7)	4	--	4	--
Due to Other Governmental Agencies	87,093	1,911	89,004	3,693
Unearned Revenue (Note 1)	54,654	2,367	57,021	--
Estimated Liability - Litigation and Claims (Note 17)	12,629	--	12,629	--
Short-Term Bonds Payable (Note 10)	229,880	--	229,880	--
Long-Term Liabilities				
Due Within One Year				
Insurance Claims Payable (Notes 1 and 16)	54,151	--	54,151	--
Compensated Employee Absences Payable (Notes 1 and 11)	88,842	2,480	91,322	88
Arbitrage Rebate Payable (Note 11)	--	281	281	--
Capital Lease Obligations Payable (Notes 11 and 13)	4,357	--	4,357	--
Bonds Payable (Note 11)	51,750	15,855	67,605	--
Pollution Remediation Obligation (Notes 11 and 17)	--	607	607	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	1,665	1,665	--
Due in More than One Year				
Interest Accretion on Capital Appreciation Bonds Payable (Note 11)	181,225	--	181,225	--
Insurance Claims Payable (Notes 1 and 16)	149,461	--	149,461	--
Compensated Employee Absences Payable (Notes 1 and 11)	85,982	2,798	88,780	47
Arbitrage Rebate Payable (Note 11)	391	149	540	--
Capital Lease Obligations Payable (Notes 11 and 13)	67,398	--	67,398	--
Bonds Payable (Note 11)	231,892	246,711	478,603	--
Pollution Remediation Obligation (Notes 11 and 17)	--	13,703	13,703	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	165,392	165,392	--
Total Liabilities	<u>1,601,452</u>	<u>534,882</u>	<u>2,136,334</u>	<u>10,436</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt (Note 1)	2,699,809	574,982	3,274,791	--
Restricted for (Note 1):				
Expendable				
Pension Benefits	96,604	--	96,604	--
Capital Projects	16,269	--	16,269	--
Legally Segregated for Grants and Other Purposes	1,077,117	--	1,077,117	--
Children and Families Commission of Orange County	--	--	--	78,985
Airport	--	58,149	58,149	--
Waste Management	--	82,205	82,205	--
Nonexpendable				
Regional Park Endowment	319	--	319	--
Unrestricted (Note 1)	<u>37,790</u>	<u>350,474</u>	<u>388,264</u>	<u>--</u>
Total Net Assets	<u>\$ 3,927,908</u>	<u>\$ 1,065,810</u>	<u>\$ 4,993,718</u>	<u>\$ 78,985</u>

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

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	\$ 208,180	\$ (46,565)	\$ 26,942	\$ 33,832	\$ --
Public Protection	1,202,064	29,861	271,423	484,888	24,718
Public Ways and Facilities	146,500	(2,118)	62,653	49,524	9,632
Health and Sanitation	587,512	6,145	86,027	388,181	--
Public Assistance	922,581	7,767	35,036	842,544	166
Education	40,320	906	1,437	70	1,743
Recreation and Cultural Services	100,388	2,374	38,888	1,257	2,751
Interest on Long-Term Debt	56,765	--	--	--	--
Total Governmental Activities	<u>3,264,310</u>	<u>(1,630)</u>	<u>522,406</u>	<u>1,800,296</u>	<u>39,010</u>
Business-Type Activities					
Airport	106,414	706	129,213	186	3,912
Waste Management	93,629	924	99,249	26	1,304
Compressed Natural Gas	306	--	293	--	--
Total Business-Type Activities	<u>200,349</u>	<u>1,630</u>	<u>228,755</u>	<u>212</u>	<u>5,216</u>
Total Primary Government	<u>\$ 3,464,659</u>	<u>\$ --</u>	<u>\$ 751,161</u>	<u>\$ 1,800,508</u>	<u>\$ 44,226</u>
Component Unit					
Children and Families					
Commission of Orange County	<u>\$ 33,224</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 30,204</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 OC Public Libraries
Property Tax Increments
Property Taxes in-Lieu of Motor Vehicle License Fees
Other Taxes
Grants and Contributions Not Restricted to Specific Programs
State Allocation of Motor Vehicle License Fees
Unrestricted Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets
Transfers (Note 9)
Total General Revenues and Transfers
Extraordinary Items
Reversal of AB99 Liability
Dissolution of Orange County Development Agency (Note 2)
Change in Net Assets
Net Assets - Beginning of Year
Net Assets - End of Year

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

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

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit	Functions/Programs
\$ (100,841)	\$ --	\$ (100,841)		Primary Government
(450,896)	--	(450,896)		Governmental Activities
(22,573)	--	(22,573)		General Government
(119,449)	--	(119,449)		Public Protection
(52,602)	--	(52,602)		Public Ways and Facilities
(37,976)	--	(37,976)		Health and Sanitation
(59,866)	--	(59,866)		Public Assistance
(56,765)	--	(56,765)		Education
(900,968)	--	(900,968)		Recreation and Cultural Services
				Interest on Long-Term Debt
				Total Governmental Activities
--	26,191	26,191		Business-Type Activities
--	6,026	6,026		Airport
--	(13)	(13)		Waste Management
--	32,204	32,204		Compressed Natural Gas
(900,968)	32,204	(868,764)		Total Business-Type Activities
				Total Primary Government
			\$ (3,020)	Component Unit
				Children and Families
				Commission of Orange County
311,779	--	311,779	--	General Revenues
68,184	--	68,184	--	Taxes
51,168	--	51,168	--	Property Taxes, Levied for General Fund
37,389	--	37,389	--	Property Taxes, Levied for Flood Control District
18,308	--	18,308	--	Property Taxes, Levied for OC Parks
303,955	--	303,955	--	Property Taxes, Levied for OC Public Libraries
43,568	134	43,702	--	Property Tax Increments
9,377	--	9,377	--	Property Taxes in-Lieu of Motor Vehicle License Fees
2,667	--	2,667	--	Other Taxes
4,195	3,530	7,725	482	Grants and Contributions Not Restricted to Specific Programs
57,125	1,508	58,633	90	State Allocation of Motor Vehicle License Fees
34	--	34	--	Unrestricted Investment Earnings
11,767	(11,767)	--	--	Miscellaneous
919,516	(6,595)	912,921	572	Gain on Sale of Capital Assets
				Transfers (Note 9)
				Total General Revenues and Transfers
--	--	--	51,369	Extraordinary Items
(69,639)	--	(69,639)	--	Reversal of AB99 Liability
(51,091)	25,609	(25,482)	48,921	Dissolution of Orange County Development Agency (Note 2)
3,978,999	1,040,201	5,019,200	30,064	Change in Net Assets
\$ 3,927,908	\$ 1,065,810	\$ 4,993,718	\$ 78,985	Net Assets - Beginning of Year
				Net Assets - End of Year

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	General Fund	Roads	Flood Control District
<u>ASSETS</u>			
Pooled Cash/Investments (Notes 1 and 4)	\$ 315,476	\$ 95,297	\$ 370,387
Imprest Cash Funds (Note 4)	1,885	--	--
Restricted Cash and Investments with Trustee (Notes 1 and 4)	1,536	--	--
Investments (Notes 1 and 4)	--	--	--
Deposits In-Lieu of Cash	--	--	--
Receivables (Note 6)			
Accounts	10,138	1,159	295
Taxes (Note 1)	11,483	--	1,690
Interest/Dividends	568	134	491
Deposits	480	--	1,544
Advances	30	--	--
Loans	--	--	875
Allowance for Uncollectible Receivables	(189)	(7)	(1)
Due from Other Funds (Note 7)	46,551	1,097	1,816
Due from Component Unit (Note 7)	283	--	--
Due from Other Governmental Agencies	335,658	13,706	52,869
Inventory of Materials and Supplies (Note 1)	546	--	392
Prepaid Costs (Note 1)	222,414	3,111	3,340
Land and Improvements Held for Resale (Note 1)	--	--	--
Advances To Other Funds (Note 7)	2,500	--	--
Notes Receivables	--	--	--
Total Assets	<u>\$ 949,359</u>	<u>\$ 114,497</u>	<u>\$ 433,698</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts Payable	\$ 45,544	\$ 4,925	\$ 5,098
Retainage payable	1,290	1,679	2,401
Salaries and Employee Benefits Payable	65,414	938	1,026
Interest Payable	893	--	--
Deposits from Others	1,188	6,565	4,933
Due to Other Funds (Note 7)	21,618	2,728	5,989
Due to Component Unit (Note 7)	--	--	--
Due to Other Governmental Agencies	22,779	277	1,231
Estimated Litigation and Claims (Note 17)	629	--	--
Deferred Revenue (Note 1)	176,424	7,450	24,507
Unearned Revenue (Note 1)	30,466	17,690	521
Notes Payable (Note 10)	--	--	--
Bonds Payable (Note 10)	229,880	--	--
Advances from Other Funds (Note 7)	--	--	--
Total Liabilities	<u>596,125</u>	<u>42,252</u>	<u>45,706</u>
Fund Balances (Note 1)			
Nonspendable	225,460	3,111	3,732
Restricted	26,336	69,134	384,260
Assigned	100,448	--	--
Unassigned	990	--	--
Total Fund Balances	<u>353,234</u>	<u>72,245</u>	<u>387,992</u>
Total Liabilities and Fund Balances	<u>\$ 949,359</u>	<u>\$ 114,497</u>	<u>\$ 433,698</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	Teeter Plan Obligation Commercial Paper Program Note	Other Governmental Funds	Total Governmental Funds	
\$ 145,328	\$ 75,440	\$ 515,929	\$ 1,517,857	ASSETS
--	--	61	1,946	Pooled Cash/Investments (Notes 1 and 4)
--	58	238,739	240,333	Imprest Cash Funds (Note 4)
--	--	6,129	6,129	Restricted Cash and Investments with Trustee (Notes 1 and 4)
--	--	35	35	Investments (Notes 1 and 4)
171	--	1,689	13,452	Deposits In-Lieu of Cash
--	40,504	2,428	56,105	Receivables (Note 6)
179	100	745	2,217	Accounts
--	--	30	2,054	Taxes (Note 1)
--	--	2,083	2,958	Interest/Dividends
--	--	(214)	(411)	Deposits
3,704	--	14,672	67,840	Advances
--	--	--	283	Loans
2,676	--	41,919	446,828	Allowance for Uncollectible Receivables
352	--	--	1,290	Due from Other Funds (Note 7)
1,185	--	14,496	244,546	Due from Component Unit (Note 7)
--	--	145	145	Due from Other Governmental Agencies
--	--	--	2,500	Inventory of Materials and Supplies (Note 1)
--	--	32,249	32,249	Prepaid Costs (Note 1)
<u>\$ 153,595</u>	<u>\$ 116,102</u>	<u>\$ 871,135</u>	<u>\$ 2,638,386</u>	Land and Improvements Held for Resale (Note 1)
				Advances To Other Funds (Note 7)
				Notes Receivables
				Total Assets
				LIABILITIES AND FUND BALANCES
\$ 849	\$ 349	\$ 9,070	\$ 65,835	Liabilities
2	--	872	6,244	Accounts Payable
314	--	2,465	70,157	Retainage payable
--	--	--	893	Salaries and Employee Benefits Payable
10,812	--	6,028	29,526	Interest Payable
4,992	5	28,212	63,544	Deposits from Others
--	--	4	4	Due to Other Funds (Note 7)
9,251	--	13,227	46,765	Due to Component Unit (Note 7)
--	--	--	629	Due to Other Governmental Agencies
1,545	--	3,819	213,745	Estimated Litigation and Claims (Note 17)
527	--	5,450	54,654	Deferred Revenue (Note 1)
--	118,764	--	118,764	Unearned Revenue (Note 1)
--	--	--	229,880	Notes Payable (Note 10)
--	--	2,500	2,500	Bonds Payable (Note 10)
<u>28,292</u>	<u>119,118</u>	<u>71,647</u>	<u>903,140</u>	Advances from Other Funds (Note 7)
				Total Liabilities
1,537	--	14,677	248,517	Fund Balances (Note 1)
120,610	--	744,067	1,344,407	Nonspendable
3,156	--	40,744	144,348	Restricted
--	(3,016)	--	(2,026)	Assigned
<u>125,303</u>	<u>(3,016)</u>	<u>799,488</u>	<u>1,735,246</u>	Unassigned
				Total Fund Balances
<u>\$ 153,595</u>	<u>\$ 116,102</u>	<u>\$ 871,135</u>	<u>\$ 2,638,386</u>	Total Liabilities and Fund Balances

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. The difference in fund balances of \$2,192,662 is due to the long-term economic focus of the Statement of Net Assets versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total Fund Balances - Governmental Funds	\$	1,735,246
--	----	-----------

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	788,352	
Structures and Improvements	1,210,636	
Equipment	269,394	
Software	56,090	
Infrastructure	1,335,533	
Land Use Rights	1,670	
Construction/Software in Progress	258,265	
Accumulated Depreciation/Amortization	<u>(1,250,139)</u>	2,669,801

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

Prepaid Costs	96,604	
Unamortized Bond Issuance Cost	<u>2,275</u>	98,879

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.

(3,851)

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 eliminated in the government-wide financial statements. Also, an allowance for uncollectible receivables is recognized for a portion of the accrued revenue that is expected to be uncollectible.

Deferred Revenue	206,095	
Allowance for Uncollectible Receivables	<u>(56,475)</u>	149,620

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.

7,650

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 consists of the following:

Bonds and COPs Payable, Net	(283,642)	
Long-Term Notes Payable	(40,328)	
Compensated Employee Absences Payable	(172,720)	
Capital Lease Obligations Payable	(71,755)	
Arbitrage Rebate Payable	(391)	
Interest Payable on Bonds	(3,402)	
Interest Accreted on Capital Appreciation Bonds	(181,225)	
Estimated Liability - Litigation and Claims	(12,000)	
County's Net Pension Asset for the Extra-Help Employees' Defined Benefit Retirement Plan	60	(765,403)

Governmental Accounting Standards Board (GASB) Statement No. 45, *"Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions"* requires an employer to record a net Other Postemployment Benefits (OPEB) obligation (asset) for the difference between the annual required contribution (ARC) and the amounts actually contributed to the OPEB Plan. In FY 2011-12, the County contributed less than the ARC to the Retiree Medical Trust, reducing the net OPEB asset reported on the Statement of Net Assets.

35,966

Net Assets of Governmental Activities

\$ 3,927,908

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	General Fund	Roads	Flood Control District
Revenues			
Taxes	\$ 610,493	\$ --	\$ 67,825
Licenses, Permits, and Franchises	16,481	323	268
Fines, Forfeitures and Penalties	41,986	11	30
Use of Money and Property	5,394	451	2,904
Intergovernmental	1,419,777	54,974	76,693
Charges for Services	369,167	31,924	13,726
Other	19,364	1,415	3,968
Total Revenues	<u>2,482,662</u>	<u>89,098</u>	<u>165,414</u>
Expenditures			
Current			
General Government	142,577	--	--
Public Protection	1,004,669	--	83,684
Public Ways and Facilities	37,654	81,735	--
Health and Sanitation	578,584	--	--
Public Assistance	735,713	--	--
Education	--	--	--
Recreation and Cultural Services	--	--	--
Capital Outlay	16,713	42,308	30,538
Debt Service			
Principal Retirement	19,484	--	3,671
Interest	15,228	--	--
Total Expenditures	<u>2,550,622</u>	<u>124,043</u>	<u>117,893</u>
Excess (Deficit) of Revenues Over Expenditures	(67,960)	(34,945)	47,521
Other Financing Sources (Uses)			
Transfers In (Note 9)	213,289	--	--
Transfers Out (Note 9)	(70,689)	--	(1,701)
Bonds Issued (Note 11)	--	--	10,000
Premium on Bonds Issued (Note 11)	--	--	--
Refunding Bonds Issued (Note 11)	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--
Provisions for Increase in Land Held for Resale	--	--	--
Total Other Financing Sources (Uses)	<u>142,600</u>	<u>--</u>	<u>8,299</u>
Extraordinary Loss (Note 2)	--	--	--
Net Change in Fund Balances	74,640	(34,945)	55,820
Fund Balances - Beginning of Year	278,594	107,190	332,172
Fund Balances - End of Year	<u>\$ 353,234</u>	<u>\$ 72,245</u>	<u>\$ 387,992</u>

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

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

Other Public Protection	Teeter Plan Obligation Commercial Paper Program Note	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 106,479	\$ 784,797
--	--	974	18,046
1,129	16,667	20,357	80,180
3,223	397	68,719	81,088
27,739	--	267,128	1,846,311
7,998	--	13,105	435,920
7,806	30	34,337	66,920
<u>47,895</u>	<u>17,094</u>	<u>511,099</u>	<u>3,313,262</u>
--	1,769	25,810	170,156
29,193	--	8,285	1,125,831
--	--	7,420	126,809
--	--	2,207	580,791
--	--	173,583	909,296
--	--	37,621	37,621
--	--	91,753	91,753
1,068	--	14,580	105,207
--	--	72,274	95,429
--	267	30,657	46,152
<u>30,261</u>	<u>2,036</u>	<u>464,190</u>	<u>3,289,045</u>
17,634	15,058	46,909	24,217
3,961	--	128,442	345,692
(15,803)	(10,000)	(237,964)	(336,157)
--	--	--	10,000
--	--	2,927	2,927
--	--	34,380	34,380
--	--	(40,491)	(40,491)
--	--	43	43
<u>(11,842)</u>	<u>(10,000)</u>	<u>(112,663)</u>	<u>16,394</u>
--	--	(113,615)	(113,615)
5,792	5,058	(179,369)	(73,004)
<u>119,511</u>	<u>(8,074)</u>	<u>978,857</u>	<u>1,808,250</u>
<u>\$ 125,303</u>	<u>\$ (3,016)</u>	<u>\$ 799,488</u>	<u>\$ 1,735,246</u>

Revenues

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

Expenditures

Current
General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Interest
Total Expenditures
Excess (Deficit) of Revenues
Over Expenditures

Other Financing Sources (Uses)

Transfers In (Note 9)
Transfers Out (Note 9)
Bonds Issued (Note 11)
Premium on Bonds Issued (Note 11)
Refunding Bonds Issued (Note 11)
Payment to Refunded Bond Escrow Agent
Provisions for Increase in Land Held for Resale
Total Other Financing Sources (Uses)

Extraordinary Loss (Note 2)

Net Change in Fund Balances

Fund Balances - Beginning of Year

Fund Balances - End of Year

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The Net Change in Fund Balances for governmental funds of \$(73,004) in the Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the Change in Net Assets for governmental activities of \$(51,091) 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 \$ (73,004)

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 or amortization expense. In addition, donations, transfers, gains or losses from sales and other disposals/acquisitions of capital assets are not reported in governmental funds. These assets, and their associated depreciation/amortization expense, must be reported or removed in the government-wide financial statements. The details of the expenditures of capital outlay, capital contributions, depreciation/amortization and other disposals/acquisitions of capital assets are as follows:

Expenditures for Capital Outlay:		
Land	10,597	
Structures and Improvements	80,758	
Equipment	9,662	
Other Disposals/Acquisitions of Capital Assets, net of Gains/Losses on Sale	10,793	
Depreciation/Amortization Expense	(120,482)	
Capital Contributions	<u>(2,099)</u>	(10,771)

The issuance of long-term debt (i.e. bonds) is recorded as an other financing source in the governmental funds because it provides current financial resources. Similarly, the repayment 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 principal and other long-term liability payments and other financing sources are as follows:

SARI Line Loan Proceeds	(10,000)	
Principal and Other Long-Term Liability Payments:		
Bonds Payable	129,509	
Notes Payable	3,671	
Capital Lease Obligations	4,319	
Arbitrage Rebate Payable	493	
Proceeds From Issuance of Bonds Payable	<u>(34,380)</u>	93,612

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

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances 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, net of Allowance for Uncollectible Accounts	(47,052)	
Property Tax Revenues	<u>(457)</u>	(47,509)

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	2,255	
Amortization of Deferred Charges	997	
Debt Issuance Costs / Premium	(2,676)	
Compensated Employee Absences Expense	(940)	
Pension Costs and Amortization of the County's Investment Investment Account with OCERS	(10,504)	
Estimated Litigation and Claims Expense	(12,000)	
Interest Accretion on Capital Appreciation Bonds	<u>(13,867)</u>	(36,735)

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.

Allocation of ISF's Operating Loss to Governmental Activities, net of Business-Type Activities	(24,212)	
Consolidation of Nonoperating Revenues/Expenses to Governmental Activities	<u>9,195</u>	(15,017)

For FY 2011-12, the Other Postemployment Benefits (OPEB) cost was \$40,840 and the County contributed \$35,197, which was deposited in to the Retiree Medical Trust. The underfunded amount against annual required contribution reduced the net OPEB asset and was treated as an increase to the employee benefits expense.

(5,643)

Extraordinary Gains/(Losses) adjustments related to the dissolution of the Orange County Redevelopment Agency. (Refer to Note 2 – Extraordinary Items)

43,976

Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(51,091)</u>
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	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 532,658	\$ 78,119	\$ 610,777
Licenses, Permits, and Franchises		16,623	--	16,623
Fines, Forfeitures and Penalties		40,147	4	40,151
Use of Money and Property		6,861	--	6,861
Intergovernmental		1,398,279	72,645	1,470,924
Charges for Services		457,830	(42,220)	415,610
Other		37,162	1,775	38,937
Transfers In		579,068	4,434	583,502
Bond Issuance Proceeds		360	240,000	240,360
Total Revenues and Other Financing Sources		<u>3,068,988</u>	<u>354,757</u>	<u>3,423,745</u>
Expenditures/Encumbrances and Other Financing Uses				
General Government:				
Assessor	\$ 327	32,488	1,069	33,884
Auditor-Controller	726	14,854	417	15,997
Board of Supervisors - 1st District	1	985	(1)	985
Board of Supervisors - 2nd District	1	940	23	964
Board of Supervisors - 3rd District	3	899	23	925
Board of Supervisors - 4th District	1	985	(1)	985
Board of Supervisors - 5th District	1	948	--	949
Capital Acquisition Financing	--	7,120	--	7,120
Capital Projects	3,063	9,667	40,983	53,713
CAPS Program	798	14,070	(326)	14,542
Clerk of the Board	31	3,337	(2)	3,366
County Counsel	265	10,083	768	11,116
County Executive Office	2,065	15,466	(179)	17,352
Data Systems Development Project	1,209	15,530	34,224	50,963
Employee Benefits	2	2,007	(14)	1,995
Human Resources	10	3,772	535	4,317
Internal Audit	23	2,689	(6)	2,706
IBM Mainframe	--	4,801	--	4,801
Miscellaneous	27	8,367	(1,541)	6,853
Office of Independent Review	62	452	(6)	508
Prepaid Pension Obligation	--	280,063	240,000	520,063
Orange County Public Guardian	--	3,674	(101)	3,573
Registrar of Voters	717	11,563	669	12,949
Tax and Revenue Anticipation Notes	--	3,850	(706)	3,144
The Office of the Performance Audit	62	715	(10)	767
Treasurer-Tax Collector	815	14,032	(28)	14,819
Utilities	708	22,607	(1,192)	22,123
2005 Lease Revenue Refunding Bonds	--	32,147	2,772	34,919
2005 Refunding Recovery Bonds	--	18,433	--	18,433
Public Protection:				
Alternate Defense	250	6,568	288	7,106
Building & Safety	2	5,773	189	5,964
Child Support Services	49	59,800	--	59,849
Clerk-Recorder	426	10,830	--	11,256
Detention Release	--	1,414	46	1,460
District Attorney	4,822	114,559	600	119,981
Emergency Management Division	144	2,275	74	2,493
Grand Jury	19	599	--	618
Juvenile Justice Commission	11	160	4	175
Probation	5,961	149,508	6,790	162,259
Public Administrator	92	2,022	--	2,114
Public Defender	494	66,240	410	67,144
Sheriff-Coroner	11,651	485,729	15,529	512,909
Sheriff-Coroner Communications	599	11,184	120	11,903
Sheriff Court Operations	543	54,864	(381)	55,026
Trial Courts	111	63,826	7,495	71,432
Public Ways and Facilities:				
OC Public Works	4,307	55,101	(606)	58,802
Health and Sanitation:				
Health Care Agency	401	607,642	31,499	639,542
OC Watersheds	769	24,467	(84)	25,152
Public Assistance:				
Aid to Families with Dependent Children - Foster Care	2,289	131,745	(13,620)	120,414
Aid to Refugees	--	518	--	518
California Works Opportunities and Responsibility to Kids	--	161,497	--	161,497
OC Community Resources	954	48,655	4,646	54,255
General Relief	--	1,839	628	2,467
In-Home Supportive Services - IHSS	--	34,201	7,532	41,733
Social Services Agency	7,663	449,748	(2,076)	455,335
Total Expenditures/Encumbrances and Other Financing Uses	<u>52,474</u>	<u>3,087,308</u>	<u>376,453</u>	<u>3,516,235</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(52,474)	(18,320)	(21,696)	(92,490)
Fund Balances - Beginning of Year	--	20,000	--	20,000
Cancellation of Reserves/Designations	--	5,308	21,696	27,004
Fund Balance Reserved for Encumbrances	52,474	--	--	52,474
Provisions for Reserves and/or Designations	--	(6,988)	--	(6,988)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement
General Fund
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2012	Unspent Appropriations	
\$ 608,204	\$ (2,573)			Revenues and Other Financing Sources
16,481	(142)			Taxes
37,713	(2,438)			Licenses, Permits, and Franchises
5,675	(1,186)			Fines, Forfeitures and Penalties
1,421,223	(49,701)			Use of Money and Property
382,773	(32,837)			Intergovernmental
40,403	1,466			Charges for Services
216,484	(367,018)			Other
338	(240,022)			Transfers In
<u>2,729,294</u>	<u>(694,451)</u>			Bond Issuance Proceeds
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				General Government:
33,052	832	\$ 336	\$ 496	Assessor
15,193	804	605	199	Auditor-Controller
962	23	2	21	Board of Supervisors - 1st District
933	31	3	28	Board of Supervisors - 2nd District
901	24	2	22	Board of Supervisors - 3rd District
856	129	2	127	Board of Supervisors - 4th District
867	82	2	80	Board of Supervisors - 5th District
6,828	292	1	291	Capital Acquisition Financing
5,766	47,947	2,982	44,965	Capital Projects
10,127	4,415	716	3,699	CAPS Program
3,212	154	37	117	Clerk of the Board
10,760	356	191	165	County Counsel
14,688	2,664	1,136	1,528	County Executive Office
34,257	16,706	582	16,124	Data Systems Development Project
441	1,554	--	1,554	Employee Benefits
3,874	443	345	98	Human Resources
2,626	80	8	72	Internal Audit
4,669	132	--	132	IBM Mainframe
4,808	2,045	22	2,023	Miscellaneous
466	42	--	42	Office of Independent Review
3,228	516,835	--	516,835	Prepaid Pension Obligation
3,486	87	87	--	Orange County Public Guardian
12,047	902	94	808	Registrar of Voters
2,897	247	--	247	Tax and Revenue Anticipation Notes
637	130	9	121	The Office of the Performance Audit
12,906	1,913	707	1,206	Treasurer-Tax Collector
20,965	1,158	988	170	Utilities
34,919	--	--	--	2005 Lease Revenue Refunding Bonds
18,433	--	--	--	2005 Refunding Recovery Bonds
				Public Protection:
6,862	244	166	78	Alternate Defense
5,519	445	43	402	Building & Safety
55,278	4,571	51	4,520	Child Support Services
10,911	345	277	68	Clerk-Recorder
1,436	24	--	24	Detention Release
110,257	9,724	4,409	5,315	District Attorney
2,064	429	118	311	Emergency Management Division
567	51	8	43	Grand Jury
157	18	2	16	Juvenile Justice Commission
147,682	14,577	7,614	6,963	Probation
1,539	575	35	540	Public Administrator
62,478	4,666	485	4,181	Public Defender
483,383	29,526	9,781	19,745	Sheriff-Coroner
9,287	2,616	603	2,013	Sheriff-Coroner Communications
50,085	4,941	144	4,797	Sheriff Court Operations
70,877	555	175	380	Trial Courts
				Public Ways and Facilities:
47,838	10,964	2,461	8,503	OC Public Works
				Health and Sanitation:
573,810	65,732	50	65,682	Health Care Agency
9,697	15,455	837	14,618	OC Watersheds
				Public Assistance:
108,641	11,773	882	10,891	Aid to Families with Dependent Children - Foster Care
284	234	--	234	Aid to Refugees
133,194	28,303	--	28,303	California Works Opportunities and Responsibility to Kids
48,948	5,307	446	4,861	OC Community Resources
2,458	9	--	9	General Relief
41,108	625	--	625	In-Home Supportive Services - IHSS
417,631	37,704	5,812	31,892	Social Services Agency
				Total Expenditures/Encumbrances and Other Financing Uses
<u>2,666,795</u>	<u>849,440</u>	<u>\$ 43,256</u>	<u>\$ 806,184</u>	Excess (Deficit) of Revenues and Other Financing Sources
				Over Expenditures/Encumbrances and Other Financing Uses
62,499	<u>\$ 154,989</u>			Fund Balances - Beginning of Year
306,752				Cancellation of Reserves/Designations
(331,132)				Fund Balance Reserved for Encumbrances
43,256				Provisions for Reserves and/or Designations
295,969				Fund Balances - End of Year
<u>\$ 377,344</u>				

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Licenses, Permits, and Franchises		\$ 314	\$ --	\$ 314
Fines, Forfeitures and Penalties		10	--	10
Use of Money and Property		1,258	--	1,258
Intergovernmental		50,441	3,850	54,291
Charges for Services		32,928	28,673	61,601
Other		871	--	871
Transfers In		2,000	--	2,000
Total Revenues and Other Financing Sources		<u>87,822</u>	<u>32,523</u>	<u>120,345</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Ways and Facilities:				
OC Road	\$ 53,867	103,471	5,374	162,712
Foothill Circulation Phasing Plan	13,924	3,403	1,601	18,928
South County Roadway Improve Prog (SCRIP)	--	--	20,013	20,013
Total Expenditures/Encumbrances and Other Financing Uses	<u>67,791</u>	<u>106,874</u>	<u>26,988</u>	<u>201,653</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(67,791)	(19,052)	5,535	(81,308)
Fund Balances - Beginning of Year	--	5,596	--	5,596
Cancellation of Reserves/Designations	--	13,456	--	13,456
Fund Balance Reserved for Encumbrances	67,791	--	--	67,791
Provisions for Reserves and/or Designations	--	--	(5,535)	(5,535)
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

Budgetary Comparison Statement
Roads
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)	Variance																																						
		Open Encumbrances June 30, 2012	Unspent Appropriations																																					
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="text-align: right;">323</td><td style="width: 10px;">\$</td><td style="text-align: right;">9</td></tr> <tr><td></td><td style="text-align: right;">11</td><td></td><td style="text-align: right;">1</td></tr> <tr><td></td><td style="text-align: right;">571</td><td></td><td style="text-align: right;">(687)</td></tr> <tr><td></td><td style="text-align: right;">58,494</td><td></td><td style="text-align: right;">4,203</td></tr> <tr><td></td><td style="text-align: right;">32,319</td><td></td><td style="text-align: right;">(29,282)</td></tr> <tr><td></td><td style="text-align: right;">1,362</td><td></td><td style="text-align: right;">491</td></tr> <tr><td></td><td style="text-align: right;">--</td><td></td><td style="text-align: right;">(2,000)</td></tr> <tr><td></td><td style="text-align: right;"><u>93,080</u></td><td></td><td style="text-align: right;"><u>(27,265)</u></td></tr> </table>	\$	323	\$	9		11		1		571		(687)		58,494		4,203		32,319		(29,282)		1,362		491		--		(2,000)		<u>93,080</u>		<u>(27,265)</u>				<p>Revenues and Other Financing Sources</p> <ul style="list-style-type: none"> Licenses, Permits, and Franchises Fines, Forfeitures and Penalties Use of Money and Property Intergovernmental Charges for Services Other Transfers In Total Revenues and Other Financing Sources 				
\$	323	\$	9																																					
	11		1																																					
	571		(687)																																					
	58,494		4,203																																					
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<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="text-align: right;">95,228</td><td style="width: 10px;"></td><td style="text-align: right;">67,484</td><td style="width: 10px;">\$</td><td style="text-align: right;">26,014</td><td style="width: 10px;">\$</td><td style="text-align: right;">41,470</td></tr> <tr><td></td><td style="text-align: right;">16,375</td><td></td><td style="text-align: right;">2,553</td><td></td><td style="text-align: right;">166</td><td></td><td style="text-align: right;">2,387</td></tr> <tr><td></td><td style="text-align: right;"><u>12,643</u></td><td></td><td style="text-align: right;"><u>7,370</u></td><td></td><td style="text-align: right;"><u>--</u></td><td></td><td style="text-align: right;"><u>7,370</u></td></tr> <tr><td></td><td style="text-align: right;"><u>124,246</u></td><td></td><td style="text-align: right;"><u>77,407</u></td><td style="text-align: center;"><u>\$</u></td><td style="text-align: right;"><u>26,180</u></td><td style="text-align: center;"><u>\$</u></td><td style="text-align: right;"><u>51,227</u></td></tr> </table>		95,228		67,484	\$	26,014	\$	41,470		16,375		2,553		166		2,387		<u>12,643</u>		<u>7,370</u>		<u>--</u>		<u>7,370</u>		<u>124,246</u>		<u>77,407</u>	<u>\$</u>	<u>26,180</u>	<u>\$</u>	<u>51,227</u>	<table border="0" style="width: 100%;"> <tr><td style="width: 10px;"></td><td style="text-align: right;">(31,166)</td><td style="width: 10px;">\$</td><td style="text-align: right;"><u>50,142</u></td></tr> </table>		(31,166)	\$	<u>50,142</u>			<p>Expenditures/Encumbrances and Other Financing Uses</p> <ul style="list-style-type: none"> Public Ways and Facilities: <ul style="list-style-type: none"> OC Road Foothill Circulation Phasing Plan South County Roadway Improve Prog (SCRIP) Total Expenditures/Encumbrances and Other Financing Uses <ul style="list-style-type: none"> 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
	95,228		67,484	\$	26,014	\$	41,470																																	
	16,375		2,553		166		2,387																																	
	<u>12,643</u>		<u>7,370</u>		<u>--</u>		<u>7,370</u>																																	
	<u>124,246</u>		<u>77,407</u>	<u>\$</u>	<u>26,180</u>	<u>\$</u>	<u>51,227</u>																																	
	(31,166)	\$	<u>50,142</u>																																					
<table border="0" style="width: 100%;"> <tr><td style="width: 10px;">\$</td><td style="text-align: right;">98,708</td></tr> <tr><td></td><td style="text-align: right;">(43,579)</td></tr> <tr><td></td><td style="text-align: right;">26,180</td></tr> <tr><td></td><td style="text-align: right;">17,399</td></tr> <tr><td></td><td style="text-align: right;"><u>67,542</u></td></tr> </table>	\$	98,708		(43,579)		26,180		17,399		<u>67,542</u>																														
\$	98,708																																							
	(43,579)																																							
	26,180																																							
	17,399																																							
	<u>67,542</u>																																							

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Taxes		\$ 69,602	\$ --	\$ 69,602
Licenses, Permits, and Franchises		484	--	484
Fines, Forfeitures and Penalties		7	--	7
Use of Money and Property		3,493	--	3,493
Intergovernmental		6,050	--	6,050
Charges for Services		12,408	(9)	12,399
Other		40,533	(10,000)	30,533
Transfers In		17,000	48,000	65,000
Bond Issuance Proceeds		--	10,000	10,000
Total Revenues and Other Financing Sources		<u>149,577</u>	<u>47,991</u>	<u>197,568</u>
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
OC Flood	\$ 17,643	126,700	47,992	192,335
OC Santa Ana River	--	63	--	63
OC Flood - Capital	<u>13,052</u>	<u>56,939</u>	<u>75,629</u>	<u>145,620</u>
Total Expenditures/Encumbrances and Other Financing Uses	<u>30,695</u>	<u>183,702</u>	<u>123,621</u>	<u>338,018</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(30,695)	(34,125)	(75,630)	(140,450)
Fund Balances - Beginning of Year	--	23,308	--	23,308
Cancellation of Reserves/Designations	--	10,817	75,630	86,447
Fund Balance Reserved for Encumbrances	30,695	--	--	30,695
Provisions for Reserves and/or Designations	--	--	--	--
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

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

Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2012	Unspent Appropriations	
\$ 67,797	\$ (1,805)			Revenues and Other Financing Sources
268	(216)			Taxes
30	23			Licenses, Permits, and Franchises
3,093	(400)			Fines, Forfeitures and Penalties
76,300	70,250			Use of Money and Property
13,822	1,423			Intergovernmental
3,836	(26,697)			Charges for Services
65,000	--			Other
10,000	--			Transfers In
<u>240,146</u>	<u>42,578</u>			Bond Issuance Proceeds
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				Public Protection:
123,052	69,283	\$ 43,027	\$ 26,256	OC Flood
--	63	--	63	OC Santa Ana River
<u>61,704</u>	<u>83,916</u>	<u>40,306</u>	<u>43,610</u>	OC Flood - Capital
				Total Expenditures/Encumbrances and Other Financing Uses
<u>184,756</u>	<u>153,262</u>	<u>\$ 83,333</u>	<u>\$ 69,929</u>	Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses
				Fund Balances - Beginning of Year
55,390	\$ 195,840			Cancellation of Reserves/Designations
332,486				Fund Balance Reserved for Encumbrances
(275,439)				Provisions for Reserves and/or Designations
83,333				Fund Balances - End of Year
<u>192,106</u>				
<u>\$ 387,876</u>				

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Budget Adjustments	Final Budget
Revenues and Other Financing Sources				
Fines, Forfeitures and Penalties		\$ 4,640	\$ (475)	\$ 4,165
Use of Money and Property		3,684	(56)	3,628
Intergovernmental		30,050	(1,633)	28,417
Charges for Services		7,817	1,156	8,973
Other		8,812	25	8,837
Transfers In		6,436	479	6,915
Total Revenues and Other Financing Sources		61,439	(504)	60,935
Expenditures/Encumbrances and Other Financing Uses				
Public Protection:				
Orange County Methamphetamine Lab				
Investigation Team	\$ --	1,195	85	1,280
County Automated Fingerprint				
Identification	10	1,804	42	1,856
Building and Safety	5	681	144	830
Narcotic Forfeiture and Seizure	24	925	24	973
Sheriff-Regional Narcotics				
Suppression Program	434	10,067	1,903	12,404
Motor Vehicle Theft Task Force	99	3,180	(1)	3,278
Clerk Recorder Special Revenue	--	9,522	4,678	14,200
Real Estate Prosecution Fund	--	1,303	152	1,455
Proposition 64 - Consumer Protection	--	3,419	--	3,419
Proposition 69 - DNA Identification	--	2,222	677	2,899
Juvenile Justice Reform	129	6,917	3,655	10,701
Traffic Violator	--	1,599	133	1,732
Sheriff Narcotics Program	538	7,603	(527)	7,614
Orange County Jail	--	3,113	159	3,272
Sheriff's State Criminal Alien				
Assistance Program	18	5,631	(1,566)	4,083
Substance Abuse/Crime Prevention	--	--	1	1
California Automated Fingerprint				
Identification Operational Costs	--	1,368	1	1,369
California Automated Fingerprint				
Identification Systems Costs	425	26,308	259	26,992
Sheriff's Supplemental Law				
Enforcement Services	--	1,129	204	1,333
District Attorney's Supplemental				
Law Enforcement Services	--	821	18	839
Excess Public Safety Sales Tax	--	2,454	4,228	6,682
Equitable Sharing Forfeiture Program Fund	--	24	1	25
Sheriff-Coroner Replacement				
and Maintenance	310	11,831	(81)	12,060
Ward Welfare	--	627	67	694
Court Facilities	166	1,336	(5)	1,497
Sheriff's Substations Fee Program	--	8,417	3	8,420
Jail Commissary	469	7,522	(25)	7,966
Inmate Welfare	181	8,341	997	9,519
Child Support Program Development	--	9,374	111	9,485
800 MHz County-Wide Coordinated				
Communications System	451	7,049	(480)	7,020
Delta Special Revenue	8	182	3	193
Total Expenditures/Encumbrances				
and Other Financing Uses	3,267	145,964	14,860	164,091
Excess (Deficit) of Revenues				
and Other Financing Sources				
Over Expenditures/Encumbrances	(3,267)	(84,525)	(15,364)	(103,156)
and Other Financing Uses				
Fund Balances - Beginning of Year	--	88,270	--	88,270
Cancellation of Reserves/Designations	--	375	15,364	15,739
Fund Balance Reserved for Encumbrances	3,267	--	--	3,267
Provisions for Reserves and/or Designations	--	(4,120)	--	(4,120)
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --

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

Budgetary Comparison Statement
Other Public Protection
(Dollar Amounts in Thousands)

Actual Revenues & Expenditures on Budgetary Basis (See Note 1)	Variance Positive (Negative)	Variance		
		Open Encumbrances June 30, 2012	Unspent Appropriations	
\$ 1,122	\$ (3,043)			
3,232	(396)			
26,433	(1,984)			
7,998	(975)			
7,744	(1,093)			
5,110	(1,805)			
<u>51,639</u>	<u>(9,296)</u>			
				Revenues and Other Financing Sources
				Fines, Forfeitures and Penalties
				Use of Money and Property
				Intergovernmental
				Charges for Services
				Other
				Transfers In
				Total Revenues and Other Financing Sources
				Expenditures/Encumbrances and Other Financing Uses
				Public Protection:
				Orange County Methamphetamine Lab
901	379	\$ --	\$ 379	Investigation Team
				County Automated Fingerprint
1,018	838	35	803	Identification
1	829	--	829	Building and Safety
536	437	19	418	Narcotic Forfeiture and Seizure
				Sheriff-Regional Narcotics
7,734	4,670	504	4,166	Suppression Program
2,573	705	84	621	Motor Vehicle Theft Task Force
2,720	11,480	--	11,480	Clerk Recorder Special Revenue
1,455	--	--	--	Real Estate Prosecution Fund
2,542	877	--	877	Proposition 64 - Consumer Protection
762	2,137	--	2,137	Proposition 69 - DNA Identification
540	10,161	208	9,953	Juvenile Justice Reform
452	1,280	--	1,280	Traffic Violator
4,128	3,486	503	2,983	Sheriff Narcotics Program
565	2,707	--	2,707	Orange County Jail
				Sheriff's State Criminal Alien
3,432	651	18	633	Assistance Program
--	1	--	1	Substance Abuse/Crime Prevention
				California Automated Fingerprint
664	705	--	705	Identification Operational Costs
				California Automated Fingerprint
1,010	25,982	277	25,705	Identification Systems Costs
				Sheriff's Supplemental Law
1,101	232	--	232	Enforcement Services
				District Attorney's Supplemental
839	--	--	--	Law Enforcement Services
5	6,677	--	6,677	Excess Public Safety Sales Tax
--	25	--	25	Equitable Sharing Forfeiture Program Fund
				Sheriff-Coroner Replacement
924	11,136	156	10,980	and Maintenance
147	547	--	547	Ward Welfare
140	1,357	37	1,320	Court Facilities
2	8,418	--	8,418	Sheriff's Substations Fee Program
7,016	950	265	685	Jail Commissary
3,987	5,532	72	5,460	Inmate Welfare
361	9,124	--	9,124	Child Support Program Development
				800 MHz County-Wide Coordinated
989	6,031	72	5,959	Communications System
6	187	10	177	Delta Special Revenue
<u>46,550</u>	<u>117,541</u>	<u>\$ 2,260</u>	<u>\$ 115,281</u>	Total Expenditures/Encumbrances
				and Other Financing Uses
				Excess (Deficit) of Revenues
				and Other Financing Sources
				Over Expenditures/Encumbrances
				and Other Financing Uses
5,089	<u>\$ 108,245</u>			
118,777				Fund Balances - Beginning of Year
(17,948)				Cancellation of Reserves/Designations
2,260				Fund Balance Reserved for Encumbrances
15,688				Provisions for Reserves and/or Designations
<u>\$ 123,866</u>				Fund Balances - End of Year

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	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Non-Major)	Total	
ASSETS					
Current Assets					
Pooled Cash/Investments (Notes 1 and 4)	\$ 101,114	\$ 335,530	\$ 937	\$ 437,581	\$ 171,295
Cash Equivalents/Specific Investments (Notes 1 and 4)	33,387	--	--	33,387	--
Cash/Cash Equivalents (Notes 1 and 4)	2,334	--	--	2,334	--
Imprest Cash Funds (Note 4)	14	35	--	49	133
Restricted Cash and Investments with Trustee (Note 4)	15,507	11,563	--	27,070	79
Restricted Pooled Cash/Investments (Note 4)	47,804	754	--	48,558	--
Deposits In-Lieu of Cash	36,992	16,510	--	53,502	--
Receivables					
Accounts	4,749	8,323	3	13,075	227
Passenger Facility Charges	2,350	--	--	2,350	--
Interest/Dividends	485	574	2	1,061	216
Pollution Remediation Obligation Recoveries	393	--	--	393	--
Allowance for Uncollectible Receivables	--	--	--	--	(1)
Due from Other Funds (Note 7)	565	12	2	579	1,797
Due from Other Governmental Agencies	3,552	103	--	3,655	571
Inventory of Materials and Supplies (Note 1)	--	--	--	--	471
Prepaid Costs (Note 1)	2,683	4,136	--	6,819	2,559
Bond Issuance Costs	169	2	--	171	--
Total Current Assets	252,098	377,542	944	630,584	177,347
Noncurrent Assets					
Restricted Cash and Investments with Trustee (Note 4)	18,451	--	--	18,451	--
Restricted Pooled Cash/Investments (Note 4)	--	37,419	--	37,419	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs (Notes 1, 4, and 14)	--	90,037	--	90,037	--
Investments (Notes 1 and 4)	16,352	--	--	16,352	--
Prepaid Costs (Note 1)	--	786	--	786	--
Capital Assets: (Notes 1 and 5)					
Land	15,678	22,405	--	38,083	--
Construction in Progress	45,966	10,344	--	56,310	522
Structures and Improvements	682,697	18,514	--	701,211	10,572
Accumulated Depreciation	(182,538)	(7,786)	--	(190,324)	(4,955)
Equipment	11,855	68,329	--	80,184	80,890
Accumulated Depreciation	(9,078)	(44,352)	--	(53,430)	(69,822)
Infrastructure	212,705	281,773	--	494,478	--
Accumulated Depreciation	(159,249)	(140,912)	--	(300,161)	--
Total Capital Assets	618,036	208,315	--	826,351	17,207
Bond Issuance Costs	1,616	1	--	1,617	--
Total Noncurrent Assets	654,455	336,558	--	991,013	17,207
Total Assets	906,553	714,100	944	1,621,597	194,554

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	Compressed Natural Gas (Non-Major)	Total	
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 10,004	\$ 4,609	\$ --	\$ 14,613	\$ 6,165
Retainage Payable	2,475	256	--	2,731	27
Salaries and Employee Benefits Payable	770	1,021	--	1,791	730
Unearned Revenue	2,294	73	--	2,367	--
Due to Other Funds (Note 7)	2,526	2,153	16	4,695	1,977
Due to Other Governmental Agencies	535	1,376	--	1,911	--
Insurance Claims Payable (Notes 1 and 16)	--	--	--	--	54,151
Compensated Employee Absences Payable (Notes 1 and 11)	1,131	1,349	--	2,480	1,016
Pollution Remediation Obligation (Notes 11 and 17)	98	509	--	607	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	1,665	--	1,665	--
Arbitrage Rebate Payable (Note 11)	--	281	--	281	--
Bonds Payable (Note 11)	9,207	6,648	--	15,855	--
Interest Payable	6,211	60	--	6,271	--
Deposits from Others	38,134	17,423	--	55,557	--
Total Current Liabilities	73,385	37,423	16	110,824	64,066
Noncurrent Liabilities					
Insurance Claims Payable (Notes 1 and 16)	--	--	--	--	149,461
Compensated Employee Absences Payable (Notes 1 and 11)	1,283	1,515	--	2,798	1,088
Pollution Remediation Obligation (Notes 11 and 17)	1,110	12,593	--	13,703	--
Landfill Site Closure/Postclosure Liability (Notes 11 and 14)	--	165,392	--	165,392	--
Bonds Payable (Note 11)	239,693	7,018	--	246,711	--
Arbitrage Rebate Payable (Note 11)	149	--	--	149	--
Total Noncurrent Liabilities	242,235	186,518	--	428,753	150,549
Total Liabilities	315,620	223,941	16	539,577	214,615
NET ASSETS					
Invested in Capital Assets, Net of Related Debt (Note 1)	380,330	194,652	--	574,982	17,207
Restricted for (Note 1)					
Debt Service	9,296	33,019	--	42,315	--
Passenger Facility Charges Approved Capital Projects (Note 1)	47,853	--	--	47,853	--
Replacements and Renewals	1,000	--	--	1,000	--
Landfill Closure/Postclosure	--	39,969	--	39,969	--
Landfill Corrective Action	--	6,097	--	6,097	--
San Joaquin Restoration Project	--	3,120	--	3,120	--
Unrestricted (Note 1)	152,454	213,302	928	366,684	(37,268)
Total Net Assets	\$ 590,933	\$ 490,159	\$ 928	\$ 1,082,020	\$ (20,061)
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				(1,532)	
Cumulative Effect of Prior Years' Internal Service Funds Allocation				(14,678)	
Net Assets of Business-type Activities				\$ 1,065,810	

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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	Compressed Natural Gas (Non-Major)		Total
Operating Revenues					
Use of Property	\$ 95,658	\$ 1,620	\$ --	\$ 97,278	\$ 3,099
Licenses, Permits, and Franchises	--	68	--	68	--
Charges for Services	15,807	97,508	293	113,608	60,169
Insurance Premiums	--	--	--	--	252,935
Other Taxes	--	--	134	134	1
Total Operating Revenues	<u>111,465</u>	<u>99,196</u>	<u>427</u>	<u>211,088</u>	<u>316,204</u>
Operating Expenses					
Salaries and Employee Benefits	18,680	24,987	--	43,667	18,019
Services and Supplies	24,309	20,407	235	44,951	31,343
Professional Services	34,426	11,907	71	46,404	29,436
Operating Leases	399	1,080	--	1,479	3,120
Insurance Claims and Premiums (Note 16)	--	--	--	--	255,765
Pollution Remediation Expense	--	1,840	--	1,840	--
Other Charges	--	--	--	--	349
Taxes and Other Fees	--	9,941	--	9,941	9
Landfill Site Closure/Postclosure Costs (Note 14)	--	5,394	--	5,394	--
Depreciation (Note 5)	20,985	17,613	--	38,598	3,907
Total Operating Expenses	<u>98,799</u>	<u>93,169</u>	<u>306</u>	<u>192,274</u>	<u>341,948</u>
Operating Income (Loss)	<u>12,666</u>	<u>6,027</u>	<u>121</u>	<u>18,814</u>	<u>(25,744)</u>
Nonoperating Revenues (Expenses)					
Fines, Forfeitures and Penalties	248	53	--	301	--
Intergovernmental Revenues	186	26	--	212	2,412
Interest Revenue	986	2,540	4	3,530	801
Interest Expense	(6,295)	(919)	--	(7,214)	--
Gain (Loss) on Disposition of Capital Assets	(841)	53	--	(788)	90
Passenger Facility Charges Revenue	17,500	--	--	17,500	--
Other Revenue	575	762	--	1,337	3,660
Total Nonoperating Revenues	<u>12,359</u>	<u>2,515</u>	<u>4</u>	<u>14,878</u>	<u>6,963</u>
Income (Loss) Before Contributions and Transfers	<u>25,025</u>	<u>8,542</u>	<u>125</u>	<u>33,692</u>	<u>(18,781)</u>
Capital Grant Contributions	3,912	--	--	3,912	--
Capital Contributions	--	1,304	--	1,304	--
Transfers In (Note 9)	--	--	--	--	2,276
Transfers Out (Note 9)	--	(11,767)	--	(11,767)	(44)
Increase/Decrease in Net Assets	<u>28,937</u>	<u>(1,921)</u>	<u>125</u>	<u>27,141</u>	<u>(16,549)</u>
Net Assets - Beginning of Year	<u>561,996</u>	<u>492,080</u>	<u>803</u>		<u>(3,512)</u>
Net Assets - End of Year	<u>\$ 590,933</u>	<u>\$ 490,159</u>	<u>\$ 928</u>		<u>\$ (20,061)</u>
Adjustment to Reflect the Consolidation of Internal Service Funds' Activities Related to Enterprise Funds				<u>(1,532)</u>	
Increase in Net Assets of Business-Type Activities				<u>\$ 25,609</u>	

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



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Waste Management	Compressed Natural Gas (Non-Major)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 112,191	\$ 99,935	\$ 426	\$ 212,552	\$ 63,332
Cash Received for Premiums within the County's Entity	--	--	--	--	252,935
Payments to Suppliers for Goods and Services	(59,323)	(33,722)	(306)	(93,351)	(300,058)
Payments to Employees for Services	(17,921)	(24,816)	--	(42,737)	(17,919)
Payments for Interfund Services Used	(168)	(140)	(5)	(313)	(308)
Cash Receipts for Interfund Services Provided	--	--	--	--	329
Landfill Site Closure/Postclosure Care Costs	--	(1,665)	--	(1,665)	--
Taxes and Other Fees	--	(9,941)	--	(9,941)	(9)
Other Operating Receipts - Net	719	691	--	1,410	154
Net Cash Provided (Used) by Operating Activities	<u>35,498</u>	<u>30,342</u>	<u>115</u>	<u>65,955</u>	<u>(1,544)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	--	--	--	--	2,276
Transfers Out	--	(11,767)	--	(11,767)	(44)
Intergovernmental Revenues	155	26	--	181	2,412
Advances to Other Funds	--	28,149	--	28,149	--
Net Cash Provided by Noncapital Financing Activities	<u>155</u>	<u>16,408</u>	<u>--</u>	<u>16,563</u>	<u>4,644</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of Capital Assets	(85,406)	(903)	--	(86,309)	(2,978)
Principal Paid on Bonds	(7,851)	(6,306)	--	(14,157)	--
Interest Paid on Long-Term Debt	(12,592)	(885)	--	(13,477)	--
Capital Grant Contributions	4,457	--	--	4,457	--
Passenger Facility Charges Revenue	17,162	--	--	17,162	--
Proceeds from Sale of Capital Assets	15	215	--	230	--
Net Cash Used by Capital and Related Financing Activities	<u>(84,215)</u>	<u>(7,879)</u>	<u>--</u>	<u>(92,094)</u>	<u>(2,978)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	1,151	2,576	4	3,731	819
Purchases of Investments	(3,067)	--	--	(3,067)	--
Decrease in Restricted Investments with Trustee	--	(172)	--	(172)	--
Net Cash Provided (Used) by Investing Activities	<u>(1,916)</u>	<u>2,404</u>	<u>4</u>	<u>492</u>	<u>819</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(50,478)	41,275	119	(9,084)	941
Cash and Cash Equivalents - Beginning of Year	250,638	422,500	818	673,956	170,566
Cash and Cash Equivalents - End of Year	<u>\$ 200,160</u>	<u>\$ 463,775</u>	<u>\$ 937</u>	<u>\$ 664,872</u>	<u>\$ 171,507</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	Compressed Natural Gas (Non-Major)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 12,666	\$ 6,027	\$ 121	\$ 18,814	\$ (25,744)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	20,985	17,613	--	38,598	3,907
Provision for Landfill Site Closure/Postclosure Costs	--	5,394	--	5,394	--
Fines, Forfeitures and Penalties	248	53	--	301	--
Other Revenue	483	762	--	1,245	3,660
Landfill Site Closure Disbursements	--	(1,665)	--	(1,665)	--
(Increases) Decreases In:					
Deposits In-Lieu of Cash	(8,680)	57	--	(8,623)	--
Accounts Receivable (Net of Allowances)	(692)	233	--	(459)	(154)
Due from Other Funds	(565)	14	1	(550)	608
Due from Other Governmental Agencies	--	365	--	365	180
Inventory of Materials and Supplies	--	--	--	--	(82)
Prepaid Costs	692	1,663	--	2,355	602
Increases (Decreases) In:					
Accounts Payable	(1,489)	(1,467)	--	(2,956)	723
Retainage Payable	1,292	81	--	1,373	27
Salaries and Employee Benefits Payable	63	123	--	186	40
Unearned Revenue	1,009	(61)	--	948	--
Due to Other Funds	397	(154)	(7)	236	(587)
Due to Other Governmental Agencies	535	(22)	--	513	(3)
Insurance Claims Payable	--	--	--	--	15,219
Compensated Employee Absences Payable	12	48	--	60	60
Pollution Remediation Obligation	(166)	1,128	--	962	--
Deposits from Others	8,666	84	--	8,750	--
Arbitrage Rebate Payable	42	66	--	108	--
Total Adjustments	<u>22,832</u>	<u>24,315</u>	<u>(6)</u>	<u>47,141</u>	<u>24,200</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,498</u>	<u>\$ 30,342</u>	<u>\$ 115</u>	<u>\$ 65,955</u>	<u>\$ (1,544)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Fund Net Assets Accounts					
Pooled Cash/Investments	\$ 101,114	\$ 335,530	\$ 937	\$ 437,581	\$ 171,295
Cash Equivalents/Specific Investments	33,387	--	--	33,387	--
Cash/Cash Equivalents	2,334	--	--	2,334	--
Imprest Cash Funds	14	35	--	49	133
Restricted Cash and Investments with Trustee	15,507 (1)	-- (2)	--	15,507	79
Restricted Pooled Cash/Investments	47,804	38,173	--	85,977	--
Restricted Pooled Cash/Investments - Closure and Postclosure Care Costs	--	90,037	--	90,037	--
Total Cash and Cash Equivalents	<u>\$ 200,160</u>	<u>\$ 463,775</u>	<u>\$ 937</u>	<u>\$ 664,872</u>	<u>\$ 171,507</u>

Schedule of Noncash Investing, Capital, and Financing Activities:
- The Internal Service Funds gained \$90 on disposition of capital assets.
- John Wayne Airport lost \$841 on disposition of capital assets.
- Waste Management gain of \$53 on disposition of capital assets.
- Waste Management received \$1,304 of capital contributions.

(1) Does not include \$18,451 from Airport's nonliquid Restricted Cash and Investment with Trustee.
(2) Does not include \$11,563 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
<u>ASSETS</u>				
Pooled Cash/Investments (Notes 1 and 4)	\$ 152,328	\$ 2,708,019	\$ 26,174	\$ 321,518
Cash/Cash Equivalents	--	--	--	89
Restricted Cash and Investments (Notes 1 and 4)				
Restricted Cash	52	--	--	--
Restricted Investments with Trustee				
Commercial Paper	--	--	--	1,717
Money Market Mutual Funds	2,996	--	48,085	36,375
Stable Value Fund	--	--	5,951	--
Restricted Cash with Orange County				
Employees Retirement System (OCERS)	--	--	99,886	--
Restricted Cash with Local Agency Investment				
Fund (LAIF)	--	--	--	5,058
Total Restricted Cash and Investments	3,048	--	153,922	43,150
Investments (Notes 1 and 4)	--	--	--	1,082
Deposits In-Lieu of Cash	--	--	--	11,659
Receivables				
Accounts	--	--	--	12
Taxes (Note 1)	--	--	--	292,519
Interest/Dividends	283	5,318	59	6,684
Allowance for Uncollectible Receivables	--	--	--	(3)
Due from Other Governmental Agencies	211	--	2,147	34,829
Land Held for Redevelopment	616	--	--	--
Bond Issuance Costs	1,005	--	--	--
Notes Receivable	--	--	--	24,312
Total Assets	<u>157,491</u>	<u>2,713,337</u>	<u>182,302</u>	<u>735,851</u>
<u>LIABILITIES</u>				
Accounts Payable	--	--	18	--
Bonds Payable	44,057	--	--	--
Interest Payable	734	21	--	4,742
Deposits from Others	--	--	--	16,302
Monies Held for Others	--	--	--	236,274
Due to Other Governmental Agencies	23,195	24,101	2	21,130
Unapportioned Taxes	--	--	--	457,403
Total Liabilities	<u>67,986</u>	<u>24,122</u>	<u>20</u>	<u>735,851</u>
<u>NET ASSETS</u>				
Held in Trust	89,505	2,689,215	182,282	
Total Net Assets	<u>\$ 89,505</u>	<u>\$ 2,689,215</u>	<u>\$ 182,282</u>	

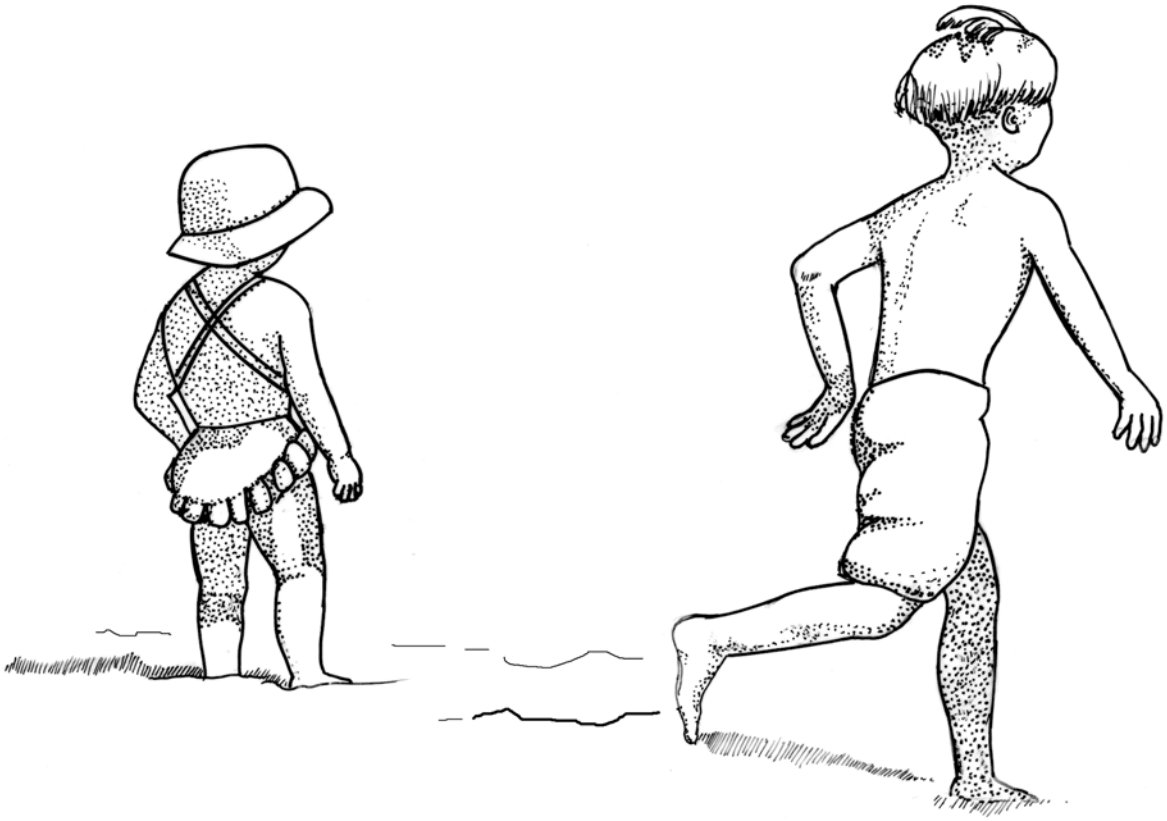
The notes to the basic financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Private- Purpose Trust Funds	Investment Trust Funds	Pension and Other Employee Benefits Trust Funds
Additions:			
Contributions to Pension and Other Employee Benefits Trust:			
Employer (Notes 18 and 19)	\$ --	\$ --	\$ 44,471
Employee (Note 18)	--	--	1,139
Contributions to Pooled Investments (Note 4)	--	6,171,865	--
Contributions to Private-Purpose Trust	61,340	--	--
Intergovernmental Revenues	4,086	--	--
Other Revenues	25	1,306	13
Interest and Investment Income (Note 4)	252	15,162	770
Less: Investment Expense (Note 4)	(39)	(2,911)	(59)
Total Additions	65,664	6,185,422	46,334
Deductions:			
Benefits Paid to Participants (Notes 18 and 19)	--	--	29,058
Distributions from Pooled Investments (Note 4)	--	6,622,865	--
Distributions from Private-Purpose Trust	68,111	--	--
Services and Supplies	409	--	--
Taxes and Other Fees	24,883	--	--
Interest Expense	911	--	--
Total Deductions	94,314	6,622,865	29,058
Extraordinary Gain (Note 2)	69,639	--	--
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	40,989	--	--
External Investment Pool (Note 4)	--	(437,443)	--
Employees' Pension and Other Employee Benefits (Notes 18 and 19)	--	--	17,276
Net Assets Held in Trust, Beginning of Year	48,516	3,126,658	165,006
Net Assets Held in Trust, End of Year	\$ 89,505	\$ 2,689,215	\$ 182,282

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 (the Board), 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 Board 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) OCDA was dissolved effective February 1, 2012 in accordance with ABX1 26 and Health and Safety Code 34172.

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 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. With the passage of ABX1 26 dissolving redevelopment agencies statewide effective February 1, 2012, the Authority will not issue any new debt.

South Orange County Public Financing Authority The Authority is a joint powers authority of the County and Community Facilities District 88-2 of the County of Orange (Lomas Laguna), formed to provide for the financing of public capital improvements. The governing body of the Authority is the County's governing body. 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 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 Board 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 Board. 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 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. For details regarding the Commission's extraordinary item and impact of AB99, refer to the Commission's separate financial statements. 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 the following address: <http://egov.ocgov.com/ocgov/Auditor-Controller/Financial Statements>

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, accumulated depreciation, amortization and accumulated amortization 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*” (GASB Statement No. 34), mandates the presentation of two basic government-wide financial statements:

- *Statement of Net Assets*
- *Statement of Activities*

The scope of the government-wide financial statements is to report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are normally supported by taxes, intergovernmental revenues, other nonexchange revenues, and business-type activities, which are financed by fees charged to external parties for goods or services, are reported in separate columns, with a combined total column presented for the primary government. Likewise, the primary government is reported separately from 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, 2012, the County’s governmental activities reported restricted net assets of \$1,190,309 restricted for pension benefits related to the Orange County Retirement System (OCERS) Investment Account, capital projects, legally segregated funds restricted for grants and other purpose, and regional park endowment. Restricted Net Assets for business-type activities amounted to \$140,354 and are restricted for the use of Airport and Waste Management activities, including debt service, passenger facility charges (PFC), replacements and renewals, landfill closure/postclosure, and landfill corrective action. At June 30, 2012, the County reported \$47,853 of net assets restricted by enabling legislation related to the Airport’s PFC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

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

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

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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. Intergovernmental revenues, along with property taxes restricted for flood control activities, provide most of this fund's revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Other Public Protection This fund accounts for revenues restricted 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.

Teeter Plan Obligation Commercial Paper Program Note This debt service fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

The County reports the following proprietary enterprise funds:

Airport This major 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 major fund accounts for the operation, expansion, and closing of existing landfills. Monies are collected through landfill disposal fees, which users pay based primarily on tonnage.

Compressed Natural Gas (CNG) This fund accounts for the operation and maintenance of the CNG facility. Revenues consist primarily of CNG sales to both the County and the public.

Additionally, the County reports the following fund types:

Internal Service Funds The County reports ten 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 has a total of 316 individual trust and agency funds for FY 2011-12. 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, or 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 and agency 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, decedents' property held for escheatment. Beginning this fiscal year, the County accounts for the former redevelopment agency as a private-purpose trust fund for the OCDA Successor Agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements (Continued)

Investment Trust

Orange County Investment Pool

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

Orange County Educational Investment Pool

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

Pension and Other Employee Benefits Trust The County reports six Pension and Other Employee Benefits Trust funds. These trust funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit and defined contribution pension and postemployment benefit plans.

Agency Funds These funds are generally used to account for assets that the County holds on behalf of others as their agent in a purely custodial capacity, such as the receipt, temporary investments, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, assets reported in the agency funds are offset by a liability for resources held on behalf of others.

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. Receivables are reported net of allowances for uncollectible receivables in 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:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements (Continued)

- *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 (i.e., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after the end of the current fiscal period.

Revenues that are accrued include real and personal property taxes, sales taxes, 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, 2012, the County reported \$213,745 of deferred revenue, and \$54,654 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Financial Statements (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the County has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 when preparing the government-wide and enterprise fund financial statements.

There are two types of proprietary funds:

- *Enterprise Funds*
- *Internal Service Funds*

The County has three enterprise funds: Airport, Waste Management and CNG. The principal operating revenues of the Airport, Waste Management and CNG enterprise funds are charges to customers for (1) landing fees, terminal space rental, auto parking, concessions, and aircraft tie-down fees (2) disposal fees charged to users of the waste disposal sites and (3) natural gas sales, 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 recommended budget, the Board 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 "Adopted Budget," which specifies all accounts established within each fund/department/budget control (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 adjustments to appropriations. Department heads are authorized to approve appropriation transfers within a fund/department/budget control. However, appropriation transfers between fund/department/budget control require approval of the Board. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund/department/budget control level.

Annual budgets are adopted on a basis consistent with GAAP except for the general fund and major special revenue funds as detailed below in the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis. 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 revenues and expenditures during the year for budget-to-actual comparisons.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

The major special revenue fund Budgetary Comparison Statements reported by the County in the Basic Financial Statements are:

- *Roads*
- *Flood Control District*
- *Other Public Protection*

The intent of preparing the Budgetary Comparison Statement reconciliation is to provide the reader with a more complete understanding and appreciation for the difference between budgetary revenues and other financing sources and expenditures/encumbrances and other financing uses presented in the Budgetary Comparison Statements and the revenues, expenditures, and other financing sources (uses) reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, which is prepared in accordance with GAAP. The major areas of difference are as follows:

- Under a budgetary basis, investment income is recognized on an amortized cost basis. In accordance with GASB Statement No. 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pool,”* all investment income, including changes in fair value (gains/losses) of investments, are recognized as interest revenue.
- Under a budgetary basis, redirected investment income is recognized as investment income in the recipient fund. In accordance with GASB Statement No. 31, investment income assigned to another fund due to management decision is recognized in the fund that reports the investment and reported as a transfer to the recipient fund in the GAAP financial statements.
- GASB Statement No. 33, *“Accounting and Financial Reporting for Nonexchange Transactions,”* states that all nonexchange transactions, such as government-mandated nonexchange transactions and voluntary nonexchange transactions, can be accrued only if they are measurable and “available.” “Available” has been defined by GASB Statement No. 33 as “collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.” The County has established the availability period as 60 days after the end of the fiscal year or August 31. In order to ensure all transactions for the current fiscal year meet this criterion, the County analyzes revenue receipts through August 31, and records adjustments to revenue for any significant variances.
- GASB Statement No. 34, *“Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,”* states, “fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.” For the GAAP financial statements, an adjustment to record public purpose trust monies as revenue in the benefitting funds is recorded for funds which continue to be accounted for as fiduciary funds on a budgetary basis but no longer meet the definition of a fiduciary fund.
- Under a budgetary basis, intrafund transfers are recognized as other financing sources (uses). For the GAAP financial statements, intrafund transfers are eliminated to minimize the “grossing-up” of interfund transfers.
- Under a budgetary basis, the loan repayment from OC Public Library to the General Fund was recognized as other revenue within the General Fund. In accordance with GASB Statement No. 34, other revenue was adjusted and the loan payment was recorded as a reduction to the interfund receivable in the lender fund and a reduction to the interfund payable in the borrower fund for the GAAP financial statements.
- The County reclassified to the General Fund all the activities of certain special revenue funds which no longer meet the definition of a special revenue fund in accordance with GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* (GASB 54).
- For budgetary purposes, the loan from Waste Management to the General Fund was recognized as other financing sources (uses). In accordance with GASB Statement No. 34, an adjustment to record the interfund loan as an interfund receivable in the lender fund and interfund payable in the borrower fund was recorded for the GAAP financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

- In June 2012, a loan repayment was made to Waste Management from the General Fund in connection with various information technology capital projects. The County recorded an adjustment to revenue to correctly reflect the loan balance.
- Under the budgetary basis, interfund reimbursements or repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are recorded as revenues in the payer fund. In accordance with GASB Statement No. 34, an adjustment to eliminate interfund reimbursements is recorded for the GAAP financial statements.
- Under a budgetary basis, the County bills department for their portion of the annual required contribution (ARC) to Orange County Employees Retirement System (OCERS) and recognizes the portion that is not forwarded to OCERS as revenue because the County Investment Account at OCERS funded this portion of the ARC. For the GAAP financial statements, the County reclassified the budgeted revenue for the portion of the ARC funded by the County Investment Account to reduce expenditures.
- In accordance with GAAP, the County has established guidelines for recording accruals for incurred expenditures for which outflows of cash or other assets will not occur until after the end of each fiscal year. In order to reasonably ensure that accruals for current fiscal year transactions are materially accurate, the County performs a look-back analysis to identify and adjust expenditure accruals for the GAAP financial statements.
- The County reclassified the rebates that were recorded as credit expenditures in investment administrative fees to revenues since the original expenditures were recorded and measured against appropriations in a completed past fiscal year.

The following schedule shows the Budgetary Comparison Statement reconciliation between the budgetary basis and GAAP basis for the General Fund and major special revenue funds:

Revenues and Other Financing Sources	General Fund	Roads	Flood Control District	Other Public Protection
Total Revenues and Other Financing Sources from the Budgetary Comparison Statements	\$ 2,729,294	\$ 93,080	\$ 240,146	\$ 51,639
Differences-budget to GAAP:				
Change in unrealized gain/(loss) on investment (Note 4)	(70)	(196)	(186)	(72)
GASB 31 adjustment to report redirected investment income as transfers (Note 4)	--	--	--	98
GASB 33 adjustment of revenue accruals for 60 day recognition period	(283)	(3,447)	453	1,307
GASB 34 adjustment to record Public Purpose Trust Fund's monies as revenue in benefitting fund	(2,489)	--	(34)	--
Adjustment to eliminate intrafund transfers	(9,790)	--	(65,002)	(1,163)
Reclassification of loan repayment from OC Public Library to the General Fund	(338)	--	--	--
Adjustment of Loan repayment from General Fund to OC Waste Management	(12)	--	--	--
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(9,543)	(392)	(95)	--
Reclassification of other revenues to an expenditure for portion of ARC funded by the County Investment Account with OCERS	(11,000)	--	--	--
Reclassification of the prior year rebate amounts that were recorded in FY 11-12 for Investment Administrative Fees	135	53	132	61
Revenues and Other Financing Sources for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	--	(14)
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	47	--	--	--
Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 2,695,951</u>	<u>\$ 89,098</u>	<u>\$ 175,414</u>	<u>\$ 51,856</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget Adoption and Revision (Continued)

Expenditures/Encumbrances and Other Financing Uses	General Fund	Roads	Flood Control District	Other Public Protection
Actual expenditures and Other Financing Uses from the Budgetary Comparison Statements	\$ 2,666,795	\$ 124,246	\$ 184,756	\$ 46,550
Differences-budget to GAAP:				
GASB 31 adjustment to report redirected investment income as transfers (Note 4)	--	--	--	98
Adjustment of expenditure accruals for timing	3,078	137	(197)	(32)
Adjustment to eliminate intrafund transfers	--	--	(65,002)	(1,162)
Reclassification of direct billing reimbursements paid by fund for the benefit of other funds	(9,544)	(393)	(95)	--
Reclassification of loan repayment from Waste Management to the General Fund	(28,160)	--	--	--
Reclassification of other revenues to an expenditure for portion of ARC funded by the County Investment Account with OCERS	(11,000)	--	--	--
Reclassification of the prior year rebate amounts that were recorded in FY 11-12 Investment Administrative Fees	135	53	132	61
Certain budgeted special revenue funds do not meet the criteria for separate reporting and are reported within the General Fund in the GAAP financial statements	7	--	--	--
Expenditures/Encumbrances and Other Financing Uses for non-budgeted funds are excluded in the Budgetary Comparison Statements	--	--	--	549
Total Expenditures and Other Financing Uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,621,311	\$ 124,043	\$ 119,594	\$ 46,064

E. Fund Balance

Effective for Fiscal Year 2011, the County implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” (GASB 54) for financial statement purposes. The intent of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The balance sheet reports the following five different classifications of fund balance:

Nonspendable Fund Balance Amounts that are not in a spendable form, such as long-term receivables, inventory or prepaid costs, or that are required to be maintained intact, such as the corpus of an endowment fund. The County’s Regional Park Endowment Permanent Fund reports the original donation as nonspendable in accordance with donor requirements.

Restricted Fund Balance Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance Amounts constrained to specific purposes by a formal action of the highest level of decision making authority. The constraint remains binding unless the government takes the same highest-level action to remove or change the constraint. The Board of Supervisors (the Board) is the County’s highest level of decision-making authority. The highest level of formal action to commit resources is an ordinance.

Assigned Fund Balance Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Board has delegated authority to the County Purchasing Agent through the Codified Ordinances of the County of Orange. Assigned fund balance includes fund balance appropriated at the end of the fiscal year to fund a projected excess of expected expenditures over expected revenues, approved unexpended contract amounts that will be liquidated with existing resources and resources constrained by the County for a specific purpose that are neither restricted nor committed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

Unassigned Fund Balance Residual amounts within the General Fund in excess of what can be properly classified in one of the four other fund balance classifications. Within all other governmental funds, unassigned fund balance is comprised of the negative residual in excess of what can be properly classified as nonspendable, restricted or committed.

In the hierarchy for spending, when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the County's policy is to spend restricted fund balance before unrestricted fund balance. When committed, assigned and unassigned fund balance is available for the same specific purpose, the County's policy is to expend fund balance according to the following priority: committed, assigned, and then unassigned.

Below are detailed descriptions within each fund balance classification reported in the balance sheet:

	General Fund	Roads	Flood Control District	Other Public Protection	Teeter Plan Obligation Commercial Paper Program Note	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ 546	\$ -	\$ 392	\$ 352	\$ -	\$ -	\$ 1,290
Prepaid costs	222,414	3,111	3,340	1,185	-	14,496	244,546
Endowment	-	-	-	-	-	181	181
Long-Term Advances to Other Funds	2,500	-	-	-	-	-	2,500
Total Nonspendable Fund Balance	\$ 225,460	\$ 3,111	\$ 3,732	\$ 1,537	\$ -	\$ 14,677	\$ 248,517
Restricted for:							
General Government	42	-	-	-	-	307,607	307,649
Public Protection	23,365	-	384,260	120,610	-	16,341	544,576
Public Ways and Facilities	-	69,134	-	-	-	10,121	79,255
Health and Sanitation	1,090	-	-	-	-	185,366	186,456
Public Assistance	1,839	-	-	-	-	79,444	81,283
Education	-	-	-	-	-	8,213	8,213
Recreation and Cultural Services	-	-	-	-	-	136,975	136,975
Total Restricted Fund Balance	\$ 26,336	\$ 69,134	\$ 384,260	\$ 120,610	\$ -	\$ 744,067	\$ 1,344,407
Assigned to:							
General Government	12,591	-	-	-	-	673	13,264
Public Protection	23,867	-	-	3,156	-	-	27,023
Public Ways and Facilities	2,461	-	-	-	-	761	3,222
Health and Sanitation	887	-	-	-	-	4,500	5,387
Public Assistance	7,140	-	-	-	-	22,989	30,129
Recreation and Cultural Services	-	-	-	-	-	11,821	11,821
Capital Projects:							
Property Tax Software Development	731	-	-	-	-	-	731
Computer Upgrade	2,200	-	-	-	-	-	2,200
Los Pinos Land Acquisition	445	-	-	-	-	-	445
Criminal Justice Facilities	5,000	-	-	-	-	-	5,000
Central Utilities Facility Replacement Reserve	238	-	-	-	-	-	238
Immigration and Customs Enforcement Court Modular	5,000	-	-	-	-	-	5,000
Deferred Maintenance for Public Facilities	39,888	-	-	-	-	-	39,888
Total Assigned Fund Balance	\$ 100,448	\$ -	\$ -	\$ 3,156	\$ -	\$ 40,744	\$ 144,348
Unassigned to:							
General Government	990	-	-	-	(3,016)	-	(2,026)
Total Unassigned Fund Balance	\$ 990	\$ -	\$ -	\$ -	\$ (3,016)	\$ -	\$ (2,026)
Total Fund Balances	\$ 353,234	\$ 72,245	\$ 387,992	\$ 125,303	\$ (3,016)	\$ 799,488	\$ 1,735,246

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

Annually, the Board adopts a five-year Strategic Financial Plan (SFP). The County of Orange 2011 Strategic Financial Plan includes a policy for Fund Balance Available (FBA) that eliminates FBA as a funding source for the next year's budget as a significant step toward reducing structural reliance on one-time funds. Positive variances in estimated FBA are to be added to Strategic Reserves, consistent with the Board policy, and necessary to improve cash position.

F. Deposits and Investments

The County maintains two cash and investment pools: the Orange County Investment Pool (OCIP) and the Orange County Educational Investment Pool (OCEIP), 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. In addition, the County maintains certain other non-pooled specific investments.

The County has stated required investments at fair value in the accompanying financial statements. Management contracts with outside services to provide pricing for the fair value of investments in the portfolio.

Other than proceeds held by the County in the OCIP, 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 4, 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 18 "Retirement Plans" to obtain OCERS stand-alone annual financial statements.

G. Inventory of Materials and Supplies

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost, which is determined on a moving weighted average basis. Applicable fund balances are nonspendable 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Prepaid Costs

The County pays for certain types of services in advance, such as pension costs and rents, and recognizes these costs in the period during which services are provided. Prepaid costs in the fund financial statements include \$244,546 for governmental funds and \$10,164 for proprietary funds, which primarily consist of the FY 2012-13 Annual Required Contribution pre-payment of \$246,122. Prepaid costs in the enterprise funds also include insurance of \$98 for John Wayne Airport and a deferred charge of \$1,573 reported for OC Waste and Recycling, representing the agreement with the City of Irvine to prepay community amenities and transportation improvement costs associated with operating the Frank R. Bowerman Landfill for the period of 2008 through 2014. In accordance with GASB Statement No. 54, fund balances are classified as nonspendable for amounts equal to the prepaid cost at the end of the fiscal year in the governmental funds.

Prepaid costs in the government-wide financial statements also include the prepaid costs reported in the fund financial statements, as well as the County's Investment Account with OCERS for future pension costs of \$96,604 (see Note 18 for additional information regarding this pension investment asset for the OCERS Pension Plan).

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, intangible, 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
Intangible	\$150
Infrastructure	\$ 0

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

Structures and Improvements	10 to 50 years
Equipment	2 to 20 years
Intangible	5 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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.

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, short-term disability plans, dental plan, Reserve Deputy Sheriff accidental death and dismemberment plan and unemployment benefits program. Liabilities are accrued based upon case reserves, development of known and incurred but not reported claims, including allocated and unallocable loss adjustment expenses. For additional information, refer to Note 16, 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 properties. 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 Board), special districts governed by the Board, 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 state-assessed properties), 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, 2012 is allocated to and recorded in the corresponding funds for reporting purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

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, 2012, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 1.7% of the combined beginning secured and unsecured property tax roll charge.

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 2nd Installment - February 1.	2605 2606
Secured tax delinquent dates (last day to pay without a penalty) are: 1st Installment - December 10, and 2nd Installment - April 10.	2617 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011-12 County-Wide Cost Allocation Plan (CWCAP), which was prepared in accordance with the Code of Federal Regulation, Title 2, Part 225. The County has elected to allocate indirect costs to departments 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.

O. Effects of New Pronouncements

The following lists recent GASB pronouncements implemented or are effective in FY 2011-12:

In December 2009, GASB issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.*" This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. Currently, the County is not involved in these types of OPEB plans.

In June 2011, GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53.*" This statement enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. 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 instruments.

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

In November 2010, GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements.*" This statement addresses issues related to service concession arrangements (SCA), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which 1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility) in exchange for significant consideration and 2) the operator collects and is compensated by fees from third parties. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011, which requires the County to implement this statement in FY 2012-13.

In November 2010, GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34.*" This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2012, which requires the County to implement this statement in FY 2012-13.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Effects of New Pronouncements (Continued)

In December 2010, GASB issued Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”* The objective of this statement is to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. The requirements of this statement are effective for periods beginning after December 15, 2011, which requires the County to implement this statement in FY 2012-13.

In June 2011, GASB issued Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”* This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. In addition, this statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming the measure as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011, which requires the County to implement this statement in FY 2012-13.

In March 2012, GASB issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities.”* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012, which requires the County to implement this statement in FY 2013-14.

In March 2012, GASB issued Statement No. 66, *“Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62.”* This statement amends Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012, which requires the County to implement this statement in FY 2013-14.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Effects of New Pronouncements (Continued)

In June 2012, GASB issued Statement No. 67, *“Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25”* which results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statements No. 25, *“Financial Reporting for Defined Benefit Pension Plans,”* and No. 50, *“Pension Disclosures,”* as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement enhances note disclosures and required supplemental information (RSI) for both defined benefit and defined contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013, which requires the County to implement this statement in FY 2013-14.

In June 2012, GASB issued Statement No. 68, *“Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27”* which also results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers,”* as well as the requirements of Statement No. 50, *“Pension Disclosures,”* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the County to implement this statement in FY 2014-15.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<i>Government-Wide Statement of Net Assets Line Item</i>	<i>Corresponding Governmental and Proprietary Fund Balance Sheet or Statement of Net Assets Line Item</i>
Cash and Cash Equivalents	Pooled Cash/Investments; Cash Equivalents/Specific Investments; Imprest Cash funds; and Cash/Cash Equivalents
Restricted Cash and Cash Equivalents	Restricted Cash and Investments with Trustee; Restricted Pooled Cash and Investments; and Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs
Prepaid Costs	Prepaid Costs and Bond Issuance Costs
Capital Assets – Not Depreciable/Amortizable	Land, Land Use Rights (Permanent), Software in Development and Construction in Progress
Capital Assets – Depreciable/Amortizable	Structures and Improvements and Accumulated Depreciation; Equipment and Accumulated Depreciation; Software and Accumulated Amortization; Infrastructure and Accumulated Depreciation; and Land Use Rights (Amortizable)

2. EXTRAORDINARY ITEMS

Extraordinary items are significant transactions or other events that are both unusual in nature and infrequent in occurrence. They are reported in a separate category in the government-wide Statement of Activities and Statement of Change in Fiduciary Net Asset. The County reports the following extraordinary item for the fiscal year ended June 30, 2012:

On December 29, 2011, the California Supreme Court upheld the constitutionality of ABX1 26 (The “Dissolution Act”) eliminating the redevelopment agencies in State of California effective February 1, 2012. A Private-Purpose Trust Fund was created accordingly to accept the role serving as a successor agency with respect to the assets and liabilities of the former OCDA.

As of the fiscal year ended June 30, 2012, prior to the recording of the dissolution, the final seven months of the activities of OCDA are reported in the governmental funds of the County. After the date of the dissolution, the assets and activities are reported in the newly established private-purpose trust fund in the Statement of Fiduciary Net Asset and Statement of Changes in Fiduciary Net Assets. In addition, the impact of the movement of assets and liabilities of the OCDA from the governmental funds to a private-purpose trust fund resulted in reporting an extraordinary loss in the governmental funds and an extraordinary gain in the private-purpose trust fund.

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss recognized in the governmental funds is not the same amount as the extraordinary gain that is recognized in the fiduciary fund financial statement. The differences are summarized in the following table:

2. EXTRAORDINARY ITEMS (Continued)

	OCDA Governmental Funds	Government-wide Statements (Full Accrual Adjustments)	OCDA Total Extraordinary Loss
<u>Extraordinary Loss</u>			
OCDA Fund Level Adjustments	\$ (113,615)	\$ -	\$ (113,615)
Bond issuance costs	-	(1,005)	(1,005)
<u>Extraordinary Gain</u>			
Accrued bond interest amount	-	734	734
Amortization of bond issuance premium	-	190	190
Long-term debt amount	-	44,057	44,057
Total Extraordinary Gain/(Loss)	<u>\$ (113,615)</u>	<u>\$ 43,976</u>	<u>\$ (69,639)</u>
Successor Agency (Private-Purpose Trust Fund)			
Extraordinary Gain			<u>\$ 69,639</u>

3. DEFICIT FUND EQUITY

The Teeter Plan Obligation Commercial Paper Program Note Fund reported a deficit fund balance of \$3,016. The deficit fund balance decreased by \$5,058 from the previous year. The County implemented its Teeter Commercial Paper (CP) Program on August 26, 2008, for the purpose of refunding the outstanding Teeter Bonds and to provide a continuing source of funding for the County's annual obligation to make distributions to the taxing agencies participating in the Teeter Plan. The deficit results from additional costs and interest expense of the CP Notes incurred in the first year of the CP Program, and insufficient delinquent tax collection to retire the CP principal. The decreased deficit is a result of increased delinquent tax, penalty and interest collection to retire additional CP principal. The County will continue to monitor and manage the collection of delinquent base tax receipts, penalties, and interest in order to eliminate the deficit fund balance.

The Workers' Compensation Internal Service Fund (ISF) and the Property and Casualty Risk ISF reported deficit net asset balances of \$66,530 and \$27,625, respectively. The deficits result from the amount calculated in the annual actuarial study which includes case reserves, development of known claims, incurred but not reported claims, allocated and unallocated loss adjustment expenses, and a discount for anticipated investment income. The deficit for the Workers' Compensation ISF and Property and Casualty Risk ISF increased by \$11,594 and \$8,946, respectively, from the previous fiscal year, due to an increase in the actuarial determined liability amount and an increase in case reserves. Charges to County departments have not provided sufficient cash flows to entirely fund the deficits in these ISFs. The County will continue to review charges to departments and manage the funding status of the Workers' Compensation Program and the Property and Casualty Risk Program to the most efficient levels.

4. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for authorizing all County bank accounts and pursuant to California Government Code (CGC) Sections 27000.1 – 27000.5, 27130 – 27137 and 53600 – 53686, is responsible for conducting County investment activities of the County's investment pooled funds in addition to various individual investment accounts outside of the pooled funds. These public funds are called the Orange County Investment Fund (OCIF). Within the OCIF, the Treasurer maintains an Orange County Investment Pool (OCIP) and an Orange County Educational Investment Pool (OCEIP), which are "external investment pools" wherein moneys of the County and other legally separate external entities, which are not part of the County Reporting Entity, are commingled (pooled) and invested on the participants' behalf. In addition, the Treasurer maintains the John Wayne Airport Investment Pool and other separately managed investments. The County's Investment Pools are not registered with the Securities and Exchange Commission (SEC) as an investment company.

The Treasurer further invests pooled funds from the OCIP and OCEIP into the Orange County Money Market Fund (OCMMF), the Orange County Educational Money Market Fund (OCEMMF) and the Extended Fund. On November 10, 2011, Standard & Poor's (S&P) affirmed an AAA Principal Stability Fund Rating (AAAm) for the OCMMF and the OCEMMF. The two money market funds are required to maintain a Net Asset Value (NAV) of between \$0.995 and \$1.005 to maintain an AAAM rating. Neither the Money Market nor the Extended Fund has any legally binding guarantees of share values.

The maximum maturity of investments for the two Money Market Funds is 13 months with a maximum weighted average maturity (WAM) of 60 days. The maximum maturity of the Extended Fund is five years. The Investment Policy Statement (IPS) provides that the Extended Fund shall have duration not to exceed a leading 1-3 Year index +25%.

Pursuant to CGC Sections 27130-27137, the Board has established a Treasury Oversight Committee (TOC) that monitors and reviews the IPS annually and also ensures that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County Superintendent of Schools, or their respective designees, and two public members.

The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner which will provide maximum security of principal invested, with secondary emphasis on providing adequate liquidity to Pool Participants, and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

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.

Investments with the Treasurer totaled \$5,729,089 as of June 30, 2012 consisting of: \$3,069,131 for the OCIP, \$2,603,008 for the OCEIP and \$56,950 for Specific Investments.

A. Deposits

CGC 53652 et. seq. and the IPS prescribe the amount of collateral that is required to secure the deposit of public funds. 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 depository insurance (FDIC) 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 and confirmed as part of the annual audit by the County Auditor Controllers Office of the Statement of Assets held by the County Treasury. Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

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. FDIC is available for interest-bearing funds deposited at any one financial institution up to a maximum of \$250. In addition, from July 1, 2011 through June 30, 2012, no collateral was required as the FDIC provided unlimited coverage for noninterest-bearing transaction accounts in accordance with Section 343 of the Dodd-Frank Act. Of the total deposits, 100% of deposits totaling \$24,400 were covered by FDIC and no additional collateral was required to secure the public funds deposits.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The County's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC.

Total County deposits and investments at fair value as of June 30, 2012, are reported as follows:

Deposits:

Imprest Cash	\$ 2,141
Deposit Overdraft	(75,773)
Total Cash Overdrafts	<u>(73,632)</u>

Investments:

With Treasurer	5,729,089
With Trustee	485,916
Total Investments	<u>6,215,005</u>
Total Deposits and Investments	<u>\$ 6,141,373</u>

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

Governmental Funds	\$ 1,766,265
Component Unit	83,033
Fiduciary Funds	3,409,330
Proprietary Funds	882,745
Total Deposits and Investments	<u>\$ 6,141,373</u>

B. Investments

The CGC Section 53601, 53635, Board ordinances and resolutions, the County's IPS, the bond indenture documents, trust agreements, and other contractual agreements govern the investments that may be purchased and may include certain restrictions on investment maturity, maximum portfolio percentages, term, value, credit quality, and timing to minimize the risk of loss. The IPS adds further restrictions to permitted investments from the CGC. As of June 30, 2012, the Treasurer was in full compliance with the more restrictive IPS and therefore, was also in compliance with CGC. The following table provides a summary listing of the authorized investments as of June 30, 2012.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Type of Investment	CGC % of Funds Permitted	Orange County IPS (%)	CGC Maximum Final Maturity	Orange County IPS Maximum Final Maturity (Long-Term-Extended-Fund)	Orange County IPS Maximum Final Maturity (Short-Term – Money Market Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities	100%	100% total, no more than 30% in one issuer	5 Years	5 Years	397 Days
Municipal Debt	100%	30% total, no more than 5% in one issuer except 10%- County of Orange	5 Years	5 Years	397 Days
Medium-Term Notes	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Bankers Acceptances	40%, 30% in a single issuer	40% total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% in a single issuer	40% total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	30% total, no more than 5% in one issuer	5 Years	5 Years	397 Days
Repurchase Agreements	100%	20% total, no more than 5% in one issuer	1 Year	1 Year	1 Year
Money Market Mutual Funds	20%, 10% in a single fund	20% total, no more than 10% in one fund	N/A	5 Years	397 Days

Additional Restrictions

The current IPS expressly prohibits leverage, reverse repurchase agreements as defined by CGC, structured notes, structured investment vehicles, and derivatives. All investments must be United States dollar denominated. No investment may be purchased from an issuer that has been placed on credit watch-negative by any of the Nationally Recognized Statistical Rating Organization (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+” or a long-term rating of at least “AA” or “Aa2” by S&P and Fitch or Moody’s.

Repurchase agreements can only be entered into with entities prescribed in CGC Section 53601. The securities underlying the agreements must be delivered to the County’s custodial banks.

Investments by the Treasurer are stated at fair value. Investments in the OCIF are marked to market on a daily basis. If the NAV of the Money Market Fund for either the OCIP or the OCEIP is less than \$0.995 or greater than \$1.005, portfolio holdings may be sold as necessary to maintain the ratio between \$0.995 and \$1.005.

Unless otherwise required in a trust agreement or other financing document, assessment districts and public school and community college districts are required by legal provisions to deposit their funds with the County Treasurer. The OCEIP consists entirely of public school and community college districts’ funds and therefore includes 100% involuntary participants. At June 30, 2012, the OCIP includes approximately 9.69% of involuntary participant deposits including funds for the Superior Court, certain assessment districts, and certain bond related funds for public school districts.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment Disclosures

The following table presents a summary of the County's investments and the credit quality distribution and concentration of credit risk by investment type as a percentage of each pool's fair value at June 30, 2012 (NR means Not Rated).

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>County Investment Pool (2)</u>							
U.S. Government Agencies							
FNMA Bonds	\$ 644,630	\$ 643,181	0.16-3.55%	07/02/12-05/23/17	1.890	AA	21.00%
Federal Farm Credit Bank	362,280	361,947	0.12-2.04%	07/02/12-03/21/14	0.249	AA	11.80%
FHLB Discount Notes	99,993	100,000	0.05-0.07%	07/27/12-07/31/12	0.079	AA	3.26%
FHLB Bonds	592,491	588,807	0.14-0.80%	07/24/12-05/23/17	1.098	AA	19.30%
FHLMC Bonds	516,369	514,952	0.07-1.67%	07/15/12-09/21/16	1.328	AA	16.83%
Commercial Paper	64,998	65,000	0.10-0.11%	07/02/12-07/11/12	0.024	A-1	2.12%
Negotiable Certificates of Deposit	99,000	99,000	0.31-0.60%	07/09/12-06/14/13	0.302	A-1	3.23%
Medium-Term Corporate Notes							
Corporate Notes	208,377	205,664	0.17-2.14%	07/16/12-06/01/14	0.515	AA	6.79%
Corporate Notes	14,428	13,775	2.00-2.16%	06/01/14	1.921	AAA	0.47%
Municipal Debt	87,428	86,885	0.65-1.55%	02/01/13-08/15/13	1.002	A	2.85%
U.S. Treasuries	138,122	138,037	0.06-0.83%	07/02/12-01/31/14	0.800	AA	4.50%
Money Market Mutual Funds	241,015	241,015	0.02-0.05%	07/02/12	0.005	AAA	7.85%
	\$3,069,131	\$3,058,263			0.984 (6)		100.00%
<u>Educational Pool (2)</u>							
U.S. Government Agencies							
FNMA Discount Notes	\$ 34,997	\$ 35,000	0.07-0.12%	07/27/12-08/31/12	0.101	AA	1.35%
FNMA Bonds	586,819	585,512	0.14-3.55%	07/02/12-05/03/17	1.719	AA	22.54%
Federal Farm Credit Bank	309,348	309,078	0.12-2.99%	07/02/12-03/21/14	0.219	AA	11.89%
FHLB Discount Notes	10,498	10,500	0.07-0.15%	07/11/12-10/30/12	0.175	AA	0.40%
FHLB Bonds	542,710	539,703	0.09-0.80%	07/02/12-05/23/17	0.969	AA	20.85%
FHLMC Discount Notes	24,999	25,000	0.05%	07/10/12	0.129	AA	0.96%
FHLMC Bonds	374,825	373,708	0.10-1.67%	07/26/12-09/21/16	1.509	AA	14.40%
Commercial Paper	9,999	10,000	0.13%	07/23/12	0.063	A-1	0.38%
Negotiable Certificates of Deposit	107,220	106,975	0.24-0.59%	08/24/12-06/14/13	0.249	A-1	4.12%
Medium-Term Corporate Notes							
Corporate Notes	176,593	174,270	0.06-2.14%	07/16/12-06/01/14	0.502	AA	6.78%
Corporate Notes	11,757	11,225	2.00-2.16%	06/01/14	1.921	AAA	0.45%
Municipal Debt	73,559	73,115	0.65-1.55%	02/01/13-08/15/13	0.990	A	2.83%
U.S. Treasuries	134,031	133,963	0.04-0.83%	07/26/12-01/31/14	0.661	AA	5.15%
Money Market Mutual Funds	205,653	205,653	0.02-0.05%	07/02/12	0.005	AAA	7.90%
	\$2,603,008	\$2,593,702			0.952 (6)		100.00%

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

<u>With Treasurer:</u>	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)	Rating (1)	% of Portfolio
<u>Specific Investments (2)</u>							
U.S. Government Agencies							
FNMA Bonds	\$ 11,211	\$ 11,200	0.15-3.55%	07/02/12-03/14/13	0.043	AA	19.69%
Federal Farm Credit Bank	9,427	9,425	0.16-2.99%	07/02/12-03/27/13	0.056	AA	16.55%
FHLB Bonds	10,901	10,900	0.13-0.35%	07/02/12-06/21/13	0.298	AA	19.14%
FHLB Discount Notes	1,350	1,350	0.09-0.11%	07/03/12-08/10/12	0.074	AA	2.37%
FHLMC Bonds	2,773	2,770	0.16-0.19%	07/15/12-03/21/13	0.050	AA	4.87%
FHLMC Discount Notes	834	834	0.17%	10/11/12	0.301	AA	1.46%
GNMA Bonds	117	117	6.25%	09/20/29	17.236	AA	0.21%
Commercial Paper	4,139	4,140	0.10-0.22%	07/02/12-10/09/12	0.070	A-1	7.27%
Negotiable Certificates of Deposit	4,250	4,250	0.20-0.59%	07/09/12-06/14/13	0.308	AA	7.46%
Medium-Term Corporate Notes							
Corporate Notes	2,956	2,921	0.18-0.40%	09/15/12-12/28/12	0.376	AA	5.19%
Municipal Debt	1,500	1,500	0.75%	08/01/12	0.088	A	2.63%
Repurchase Agreements	1,082	1,082	6.20%	08/15/19	7.129	AA	1.90%
Money Market Mutual Funds	6,410	6,410	0.02-0.05%	07/02/12	0.011	AAA	11.26%
	\$ 56,950	\$ 56,899			0.309 (6)		100.00%
<u>With Trustees:</u>							
<u>Restricted Investments with Trustees (2)</u>							
U.S. Government Agencies							
FNMA Medium-Term Notes	\$ 186,650	\$ 98,498	Variable	09/01/16-09/01/21	6.670	AA	48.99%
FNMA Discount Notes	7,412	7,205	Variable	11/21/12	0.390	P-1	1.95%
Commercial Paper	5,434	5,445	0.33%	01/29/13-02/08/13	0.600	P-1	1.43%
U.S. Treasuries	17,104	16,300	0.38-9.00%	10/31/12-11/15/18	1.850	AA	4.49%
U.S. Treasury Strips	341	54	Variable	11/15/18	6.380	AAA	0.09%
Guaranteed Investment Contracts	25,302	25,302	4.27-5.01%	07/01/13-01/17/17	3.250	NR	6.64%
Money Market Deposit Accounts	12,824	12,824	Variable	07/01/12	0.000	NR	3.37%
Money Market Mutual Funds							
Money Market Mutual Funds (3)	71,869	71,869	Variable	07/01/12	0.000	AAA	18.86%
Money Market Mutual Funds	48,085	48,084	Variable	07/01/12	0.000	NR	12.62%
Stable Value Fund	5,951	5,951	Variable	07/01/12	0.000	NR	1.56%
	\$ 380,972	\$ 291,532			3.590 (6)		100.00%
<u>With External Orange County Retirement System (OCERS):</u>							
Restricted Investments (4)	\$ 99,886						
<u>With State's Local Agency Investment Fund (LAIF):</u>							
Restricted Investment (5)	\$ 5,058						

- (1) The County obtains credit ratings from S&P, Moody's, and Fitch. The ratings indicative of the greatest degree of risk have been disclosed.
- (2) Legend: FNMA – Federal National Mortgage Association, FHLMC – Federal Home Loan Mortgage Corporation, FHLB – Federal Home Loan Bank, GNMA – Government National Mortgage Association
- (3) Amount includes OCDA's former assets that are now transferred to the Successor Agency.
- (4) The Retiree Medical Trust Reports \$99,886 of restricted investments with OCERS. Refer to Note 17 on obtaining OCERS Financial Statements. For the ratings of the restricted investments held with OCERS, refer to their most recently issued financial statements available at <http://www.ocers.org/finance/finance.htm>.
- (5) The Law Library fund reports \$5,058 of restricted investments with LAIF. For the ratings of the restricted investments held with LAIF, refer to the California State Treasurer's web site at <http://www.treasurer.ca.gov/pmia-laif>.
- (6) Portfolio weighted average maturity.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Investment in County of Orange Taxable Pension Obligation Bonds 2012, Series A

On January 18, 2012, the OCMMF, OCEMMF, Extended Fund and John Wayne Airport Investment Pool purchased a portion of the County issued Taxable Pension Obligation Bonds 2012, Series A (2012 POBs) in the principal amount of \$61,500. The POBs were issued with fixed coupon rates from .75% to .95% and maturities from August 2012 through June 2013. The obligation of the County to pay principal and interest on the 2012 POBs is imposed by law and is absolute and unconditional. As of June 30, 2012, the outstanding principal amount of the 2012 POBs invested in OCIF is \$61,500. The bonds are rated A+ by S&P. The County's investment in the 2012 POBs is disclosed herein as Municipal Debt.

Temporary Transfers and Bridge Transfers to Orange County School Districts

In April 2012, the County Treasurer received requests from ten Orange County school districts to make temporary transfers as required by state law and authorized by the Board Resolutions 11-195 for temporary transfers and 12-010 for bridge transfers. The resolutions authorize the County Treasurer to make temporary transfers to school districts to address their short-term cash flow needs. The loans are secured by tax receipts to be received by the County Treasurer as the banker for the school districts and will be repaid no later than October 31, 2012. At June 30, 2012, the outstanding temporary transfers from the OCEIP totaled \$147,000. At June 30, 2012, the outstanding bridge transfers from the OCIP totaled \$23,832 and are reported as a receivable for financial reporting.

Refunds of Treasury Administrative Fees to OCIP and OCEIP Participants

During the fiscal year ended June 30, 2012, the County Treasurer finalized the review of the FY 2007-08 through FY 2010-11 treasury administrative fee cost studies and processed a net treasury administrative fee refund of \$2,700 to the pool participants for these years based on their balances during each period.

Interest Rate Risk - Investments

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, investments of longer maturities are more sensitive to changes in market interest rates. Declines in the fair value of investments are managed by limiting the length of the maturity of the securities. In general, the maximum maturity allowed is five years unless the Board has granted express authority either specifically or as part of an investment policy. Actual weighted average days to maturity by investment type for the funds invested in the County Pool are presented in the preceding table.

The OCIP funds of \$3,069,131 and the OCEIP funds of \$2,603,008 portfolio at June 30, 2012, have over 41.04% and 44.71%, respectively of the investments maturing in six months or less, 53.68% and 50.21% respectively, maturing between one and three years and 5.28% and 5.08% respectively, maturing from three to five years.

As of June 30, 2012, variable-rate notes comprised 24% and 25% of the OCIP and the OCEIP 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 WAM, the maturity date of variable-rate notes is the length of time until the next reset date rather than the stated maturity.

The annual average daily investment balance of the OCIP and the OCEIP was \$3,338,864 and \$2,986,426, respectively with an annual average yield of 0.54% and 0.52%, respectively, for the year ended June 30, 2012.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk-Weighted Average Maturity (Money Market Funds)

At June 30, 2012, the OCMMF and the OCEMMF totaled \$1,410,997 and \$1,251,825, respectively. In accordance with the Board formally approved IPS, the County Treasurer manages investment related risk for deposits and investments by limiting the WAM to 60 days in the Money Market Funds. At June 30, 2012, the WAM of the OCMMF was 57 days and the OCEMMF was 58 days. At the same date, the NAV of the Money Market Funds for both pools was \$1.00 (in absolute dollar amounts).

Interest Rate Risk-Duration (Extended Fund)

At June 30, 2012, the Extended Fund (which includes funds from both OCIP and OCEIP) balance was \$3,009,317. Of this amount, the OCIP owned 55.10% and the OCEIP owned 44.90%. In accordance with the IPS, the Treasurer manages investment related risk for deposits and investments by limiting duration to +25% of a leading 1-3 Year index (2.14). The portfolio duration for the Extended Fund as of June 30, 2012, was 1.67 years. This was computed using the Macaulay duration method, which calculates the maturity date of callable bonds using their final maturity date.

As of June 30, 2012, the Extended Fund consisted of the following investments:

Investment Type	Fair Value (Amounts in Thousands)	Macaulay Duration (In Years)
Medium-Term Corporate Notes	\$ 276,318	0.61
Municipal Debt	135,964	1.06
Treasuries	187,154	1.05
U.S. Government Agencies	2,409,881	1.87
Total Fair Value	<u>\$ 3,009,317</u>	
Portfolio Duration		1.67

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. The IPS does not permit investments in uninsured and unregistered securities not held by the County. The Treasurer utilizes third party delivery versus payment (DVP), which mitigates any custodial credit risk. Securities purchased by the Treasurer are held by a third party custodian, Northern Trust, in their trust department to mitigate custodial credit risk. 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 the Treasurer did not have any securities lending during the year (or at year-end).

Credit Risk - Investments

This is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. 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" or "SP-1" (S&P), "P-1" or "MIG 1/VMIG 1" (Moody's), or "F1" (Fitch), while an issuer of long-term debt shall be rated no less than an "A" in the Money Market Funds and "AA" in the Extended Fund. As of June 30, 2012, the County's investments were in compliance with the IPS limits.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As June 30, 2012, all investments were in compliance with State law and with the IPS. See the preceding table for concentrations of holdings in U. S. government agencies.

Foreign Currency Risk

The IPS requires all securities to be U.S. dollar denominated. The County Pools are not exposed to foreign currency risk.

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Condensed Financial Statements

In lieu of separately issued financial statements for the entire pools and the external portion of the pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2012:

Entire Pool

Statements of Net Assets

	County Investment Pool	Educational Investment Pool	Total
Net Assets Held for Pool Participants	\$ 3,126,440	\$ 2,513,360	\$ 5,639,800
Equity of Internal Pool Participants	\$ 2,949,777	\$ -	\$ 2,949,777
Equity of External Pool Participants	175,855	2,513,157	2,689,012
Undistributed and Unrealized Gain	808	203	1,011
Total Net Assets	<u>\$ 3,126,440</u>	<u>\$ 2,513,360</u>	<u>\$ 5,639,800</u>

Statements of Changes in Net Assets

Net Assets at July 1, 2011	\$ 3,144,765	\$ 2,949,280	\$ 6,094,045
Net Changes in Investments by Pool Participants	(18,325)	(435,920)	(454,245)
Net Assets at June 30, 2012	<u>\$ 3,126,440</u>	<u>\$ 2,513,360</u>	<u>\$ 5,639,800</u>

External Pool Portion

**Combining Statement of
Fiduciary Net Assets**

	County Investment Pool	Educational Investment Pool	Total
<u>Assets</u>			
Pooled Cash/Investments	\$ 175,611	\$ 2,532,408	\$ 2,708,019
Receivables			
Interest/Dividends	324	4,994	5,318
Total Assets	<u>175,935</u>	<u>2,537,402</u>	<u>2,713,337</u>
<u>Liabilities</u>			
Interest Payables	--	21	21
Due to Other Governmental Agencies	80	24,021	24,101
Total Liabilities	<u>80</u>	<u>24,042</u>	<u>24,122</u>
<u>Net Assets</u>			
Held in Trust	175,855	2,513,360	2,689,215
Total Net Assets	<u>\$ 175,855</u>	<u>\$ 2,513,360</u>	<u>\$ 2,689,215</u>

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

	County Investment Pool	Educational Investment Pool	Total
Additions:			
Contributions to Pooled Investments	\$ 390,076	\$ 5,781,789	\$ 6,171,865
Other Revenues	38	1,268	1,306
Interest and Investment Income	671	14,491	15,162
Less: Investment Expense	(119)	(2,792)	(2,911)
Total Additions	<u>390,666</u>	<u>5,794,756</u>	<u>6,185,422</u>
Deductions:			
Distributions from Pooled Investments	<u>392,189</u>	<u>6,230,676</u>	<u>6,622,865</u>
Total Deductions	<u>392,189</u>	<u>6,230,676</u>	<u>6,622,865</u>
Change in Net Assets Held in Trust For External Investment Pool	(1,523)	(435,920)	(437,443)
Net Assets Held in Trust, Beginning of Year	<u>177,378</u>	<u>2,949,280</u>	<u>3,126,658</u>
Net Assets Held in Trust, End of Year	<u>\$ 175,855</u>	<u>\$ 2,513,360</u>	<u>\$ 2,689,215</u>

5. 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, 2012
	Balance July 1, 2011	Increases	Decreases	Adjustments	
Governmental Activities:					
Capital Assets Not Depreciated/Amortized:					
Land	\$ 773,474	\$ 16,217	\$ (1,115)	\$ (224)	\$ 788,352
Land Use Rights (Permanent)	175	924	--	--	1,099
Construction in Progress	288,943	81,182	(136,288)	171	234,008
Intangible in progress	25,840	3,269	(4,516)	186	24,779
Total Capital Assets Not Being Depreciated/Amortized:	1,088,432	101,592	(141,919)	133	1,048,238
Capital Assets, Depreciable/Amortizable:					
Structures and Improvements	1,121,252	105,909	(5,953)	--	1,221,208
Equipment	346,441	19,014	(14,704)	(467)	350,284
Software	51,743	4,579	--	(232)	56,090
Land Use Rights (Amortizable)	571	--	--	--	571
Infrastructure:					
Flood Channels	963,958	21,213	--	8,661	993,832
Roads	162,467	2,589	(735)	(450)	163,871
Bridges	75,366	6,705	(99)	--	81,972
Trails	49,537	763	--	(6,882)	43,418
Traffic signals	10,668	534	--	--	11,202
Harbors and Beaches	37,625	3,549	--	64	41,238
Capital Assets, Depreciable/Amortizable	2,819,628	164,855	(21,491)	694	2,963,686
Less Accumulated Depreciation/Amortization For:					
Structures and Improvements	(522,462)	(54,140)	4,324	--	(572,278)
Equipment	(271,278)	(17,451)	9,001	(3)	(279,731)
Software	(8,661)	(12,050)	--	--	(20,711)
Land Use Rights (Amortizable)	(170)	(193)	--	--	(363)
Infrastructure:					
Flood Channels	(242,674)	(16,917)	--	--	(259,591)
Roads	(78,016)	(18,812)	338	--	(96,490)
Bridges	(28,048)	(2,999)	99	--	(30,948)
Trails	(28,466)	(48)	--	--	(28,514)
Traffic signals	(9,762)	(423)	--	--	(10,185)
Harbors and Beaches	(24,749)	(1,356)	--	--	(26,105)
Total Accumulated Depreciation/Amortization	(1,214,286)	(124,389)	13,762	(3)	(1,324,916)
Capital Assets, Depreciable/Amortizable (Net)	1,605,342	40,466	(7,729)	691	1,638,770
Governmental Activities Total Capital Assets, Net	\$ 2,693,774	\$ 142,058	\$ (149,648)	\$ 824	\$ 2,687,008

5. CHANGES IN CAPITAL ASSETS (Continued)

	Primary Government				Balance June 30, 2012
	Balance July 1, 2011	Increases	Decreases	Adjustments	
Business-Type Activities:					
Capital Assets Not Depreciated:					
Land	\$ 38,083	\$ --	\$ --	\$ --	\$ 38,083
Construction in Progress	323,294	79,277	(346,265)	4	56,310
Total Capital Assets Not Being Depreciated	<u>361,377</u>	<u>79,277</u>	<u>(346,265)</u>	<u>4</u>	<u>94,393</u>
Capital Assets, Depreciable:					
Structures and Improvements	361,242	344,085	(1,764)	(2,352)	701,211
Equipment	81,801	3,030	(3,466)	(1,181)	80,184
Infrastructure	495,284	2,096	(5,593)	2,691	494,478
Capital Assets, Depreciable	<u>938,327</u>	<u>349,211</u>	<u>(10,823)</u>	<u>(842)</u>	<u>1,275,873</u>
Less Accumulated Depreciation For:					
Structures and Improvements	(177,011)	(14,198)	885	--	(190,324)
Equipment	(51,353)	(5,990)	3,189	724	(53,430)
Infrastructure	(281,751)	(18,410)	--	--	(300,161)
Total Accumulated Depreciation	<u>(510,115)</u>	<u>(38,598)</u>	<u>4,074</u>	<u>724</u>	<u>(543,915)</u>
Capital Assets, Depreciable (Net)	<u>428,212</u>	<u>310,613</u>	<u>(6,749)</u>	<u>(118)</u>	<u>731,958</u>
Business-Type Activities Total Capital Assets, Net	<u>\$ 789,589</u>	<u>\$ 389,890</u>	<u>\$ (353,014)</u>	<u>\$ (114)</u>	<u>\$ 826,351</u>

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

Government Activities:	
General Government	\$ 18,824
Public Protection	50,690
Public Ways and Facilities	23,422
Health and Sanitation	3,107
Public Assistance	8,480
Education	3,837
Recreation and Cultural Services	12,122
Internal Service Funds' Depreciation	
Expense Allocated to Various Functions	<u>3,907</u>
Total Governmental Activities	
Depreciation/Amortization Expense	<u>124,389</u>
Business-Type Activities:	
Airport	20,985
Waste Management	17,613
Total Business-Type Activities Depreciation Expense	<u>38,598</u>
Total Depreciation/Amortization Expense	<u>\$ 162,987</u>

6. 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

\$3,006 of accounts receivable for governmental activities is not expected to be collected within the next fiscal year. Of this amount, \$2,492 consists of invoices billed by OC Animal Care for dog license fees and penalties. \$405 represents expected recoveries from John Wayne Airport fixed-based operator (FBO) lessees for pollution remediation costs.

Deposits Receivable

\$1,521 in deposits receivable for governmental activities is not expected to be collected within the next fiscal year. Of this amount, \$400 represents a deposit required by the vendor (Cardinal Health) per the price agreement with the Health Care Agency (HCA); the deposit will be returned within 60 days of the expiration of the price agreement. \$756 represents operating funds deposited into a management account administered by Lewis Investment Company, LLC, for payment of costs related to the entitlement of the Greenspot Property located within the City of Highland and \$97 represents condemnation deposits with the court or state.

Notes Receivable

\$29,172 of notes receivable for governmental activities is not expected to be received within the next fiscal year. Of this amount, \$27,696 consists of loans to build affordable, low to moderate income, and senior housing. \$892 is from the sale of surplus County property. The remaining \$584 is for rehabilitation loans and loans provided to first time home buyers.

Loans Receivable

\$2,958 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 for the Green River Golf Course operating expenses. The remaining \$75 represents a loan for an operating expense account for the Santa Ana River Prado Dam property management.

Due from Other Governmental Agencies

\$95,351 due from other governmental agencies is not expected to be received within the next fiscal year. Of this amount, \$92,490 is owed by the State of California to the County for various Senate Bill (SB90) mandated cost reimbursements for programs and services the State requires the County to provide; and an allowance for doubtful accounts for SB90 has been established in the government-wide Statement of Net Assets for claims that have been outstanding for more than seven years. \$1,901 is owed by the City of Rancho Santa Margarita for amounts due under their Revenue Neutrality Agreement; it is anticipated the amount will be collected within 3 years. \$372 is owed by the State for the Workforce Investment Act (WIA) Individual Training Accounts; part of the WIA activities includes training for participants to attend training classes at approved schools in order to obtain employment. The remaining \$169 is owed by the State to the HCA for the California Children Services program.

7. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2012 is as follows:

Due To/From Other Funds:

Payable Funds	Receivable Funds									
	General Fund	Roads	Flood Control District	Other Public Protection	Other Governmental Funds	Airport	Waste Management	Compressed Natural Gas	Internal Service Funds	Total
General Fund	\$ -	\$ 436	\$ 1,170	\$ 3,701	\$ 14,542	\$ 565	\$ 1	\$ 2	\$ 1,201	\$ 21,618
Roads	2,113	-	610	-	1	-	-	-	4	2,728
Flood Control District	5,430	545	-	-	-	-	11	-	3	5,989
Other Public Protection	4,985	-	-	-	3	-	-	-	4	4,992
Teeter Plan Obligation Commercial Paper Program Note	5	-	-	-	-	-	-	-	-	5
Other Governmental Funds	27,901	115	27	2	112	-	-	-	55	28,212
Airport	2,007	1	9	1	-	-	-	-	508	2,526
Waste Management	2,131	-	-	-	1	-	-	-	21	2,153
Compressed Natural Gas	16	-	-	-	-	-	-	-	-	16
Internal Service Funds	1,963	-	-	-	13	-	-	-	1	1,977
Total	\$ 46,551	\$ 1,097	\$ 1,816	\$ 3,704	\$ 14,672	\$ 565	\$ 12	\$ 2	\$ 1,797	\$ 70,216

Interfund Transactions between the Primary Government and Component Unit:

Receivable Entity	Payable Entity	Amount
Primary Government – General Fund	Component Unit – OC Children & Families Commission	\$ 283
Component Unit – OC Children & Families Commission	Primary Government – Other Governmental Funds	4

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.

Advances To/From Other Funds:

Receivable Entity	Payable Entity	Amount
General Fund	Other Governmental Funds	\$ 2,500

The interfund loan represents an advance to the Courthouse Construction Fund from the General Fund to backfill the deficit as a result of a state audit of court revenues for the period FY 2003-04 through FY 2011-12.

8. 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 landfill gas lease agreements, cell tower operators and a material recovery facility. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2012, approximates \$54,906.

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, 2012 are as follows:

<u>Fiscal Year(s) Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	9,967	34,158
2014	9,662	32,588
2015	9,582	30,976
2016	8,279	20,639
2017	8,367	--
	<u>45,857</u>	<u>118,361</u>
2018-2022	43,291	46,401
2023-2027	45,987	15,755
2028-2032	46,234	3,112
2033-2037	49,457	--
2038-2042	20,877	--
2043-2047	627	--
	<u>206,473</u>	<u>65,268</u>
Total future minimum rentals	\$ <u><u>252,330</u></u>	\$ <u><u>183,629</u></u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$259 (Flood Control District), \$1,765 (OC Parks), \$1,749 (OC Dana Point Harbor), \$22,688 (Airport), \$325 (CEO IT), and \$34 (Other Governmental Funds) for the year ended June 30, 2012.

9. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012 were as follows:

<u>Transfer Out Funds</u>	<u>Transfer In Funds</u>				<u>Total</u>
	General Fund	Other Public Protection	Other Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ 3,961	\$ 64,452	\$ 2,276	\$ 70,689
Flood Control District	1,701	-	-	-	1,701
Other Public Protection	15,803	-	-	-	15,803
Teeter Plan Obligation Commercial Paper Program Note	10,000	-	-	-	10,000
Other Governmental Funds	173,974	-	63,990	-	237,964
Waste Management	11,767	-	-	-	11,767
Internal Service Funds	44	-	-	-	44
Total	<u>\$ 213,289</u>	<u>\$ 3,961</u>	<u>\$ 128,442</u>	<u>\$ 2,276</u>	<u>\$ 347,968</u>

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) transfer Measure H Tobacco Settlement revenues and Public Safety Sales Tax (PSST) excess revenue in compliance with the specific statutory requirements, (3) make available cash distributions based on the Bankruptcy Recovery Plan, and (4) transfer excess unrestricted revenues to finance various County programs based on budgetary authorizations by the Board. The details of the significant transfers are outlined below:

Routine Transfers

From the General Fund

- \$34,776 was transferred to the Debt Service Fund in connection with debt service payments for various County debt issues.
- \$10,495 was transferred to Other Governmental Funds to finance the County's 60 percent share of the Social Services Agency Wraparound Program.
- \$9,924 was transferred to Other Governmental Funds to distribute available cash to the remaining claimants of the bankruptcy loss as part of the Bankruptcy Recovery Plan.
- \$3,701 was transferred to Other Public Protection for the annual transfer of PSST excess revenue to meet future public protection needs.
- \$1,718 was transferred to Internal Service Funds for medical reimbursements.
- \$1,400 was transferred to Other Governmental Funds to pay for operating costs and debt service obligations associated with parking facilities.

From Flood Control District

- \$1,701 was transferred to the General Fund for the Watershed Management Program.

From Other Public Protection

- \$6,934 was transferred to the General Fund to support the Sheriff Department's operations.
- \$8,289 was transferred to the General Fund for the reimbursement of various County programs as follows:
 - \$5,569 for District Attorney programs
 - \$2,720 for the Clerk-Recorder's information technology, capital acquisitions, and/or improvements

9. INTERFUND TRANSFERS (Continued)

Routine Transfers (Continued)

From Teeter Plan Obligation Commercial Paper Program Note

- \$10,000 of excess penalties and interest from delinquent tax payments were transferred to the General Fund.

From Other Governmental Funds

- \$130,436 was transferred to the General Fund for the reimbursement of various County programs as follows:
 - \$97,079 for Proposition 63, Mental Health Services Act expenses
 - \$18,120 for the Social Services Agency Wraparound Program
 - \$11,807 for emergency medical services
 - \$3,430 for the Center for Disease Control pandemic flu H1N1 costs
- \$25,352 of tobacco settlement monies were transferred to the General Fund to finance HCA's various health care programs and Sheriff Department's operational costs.
- \$3,495 of bond proceeds were transferred to the General Fund for the Cogeneration Plant at the County's Central Utility Facility.
- \$1,291 was transferred to the OCDA Debt Service fund for debt service payments related to the Low and Moderate Income Housing Program.

From Enterprise Funds

- \$11,767 due primarily to the net proceeds and interest earnings from the Out-of-County Waste Importation Program was transferred to the General Fund for Recovery Certificates of Participations Lease Financing as part of the Bankruptcy Recovery Plan.

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

Non-Recurring Transfers

From the General Fund

- \$2,055 was transferred to the Capital Project Fund for various capital projects at the Sheriff's Department.
- \$2,000 was transferred to the Capital Project Fund to implement audit findings of the State Controller's audit of Court revenues for the periods of FY 2003-04 through FY 2011-12.
- \$1,400 was transferred to the Capital Project Fund for the cost incurred in housing ICE detainees in the County jail system.

From Other Governmental Funds

- \$31,815 was transferred to the Housing Successor Fund to record the transfer of assets and liabilities from the Orange County Development Agency, which was dissolved effective February 1, 2012.
- \$28,217 was transferred to a capital project fund to implement the use of tax increment funds from the Neighborhood Development and Preservation Project to fund the Community Stabilization Program.
- \$5,791 was transferred to the General Fund for reimbursement of Juvenile Justice Center debt service payments.
- \$4,557 was transferred to the General Fund to pay for the ongoing operational costs in the Sheriff's Department.
- \$2,398 was transferred to a debt service fund for reimbursement of debt service obligations associated with parking facilities.
- \$2,301 was transferred to the General Fund to acquire 100 acres of land from Saddleback Vineyards Inc.

10. SHORT-TERM OBLIGATIONS

Teeter Plan Obligation Commercial Paper Notes Series A

On August 26, 2008, the County issued its Teeter Plan Obligation Commercial Paper Notes Series A (the "CP") in the amount of \$178,300. The proceeds of the CP, together with other available monies, were used to (1) retire the outstanding Orange County Special Financing Authority Teeter Plan Revenue Bonds, Series 1995 A through E on September 2, 2008, (2) redeem the 2008-2009 Teeter Notes on November 10, 2008, (3) fund a Tax Losses Reserve Fund, and (4) pay costs of issuance of the notes. The CP constitutes an obligation of the County required by law and is secured by a direct pay letter of credit for an authorized maximum stated amount of \$214,795 provided by Wells Fargo Bank, National Association, certain delinquent taxes (excluding penalties and interest) and the County General Fund. Subject to certain requirements of CP documents, additional CP may be issued to finance the County's obligations under the Teeter Plan.

On July 12, 2011, the County redeemed \$96,520 of its \$156,900 CP outstanding at June 30, 2011, and issued an additional \$58,384 in CP. The additional CP financed the purchase of delinquent property tax receivables associated with the Teeter Plan. Proceeds of this CP issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll. Commencing July 12, 2011, the principal and interest on the CP notes are paid with the amounts drawn upon an irrevocable transferable direct-pay letter of credit issued by Wells Fargo Bank, which replaces a letter of credit previously provided by Dexia Credit Local. As of June 30, 2012, the outstanding principal amount of the CP notes was \$118,764.

2011-2012 Tax and Revenue Anticipation Notes Series A

On July 1, 2011, the County issued its 2011-2012 Tax and Revenue Anticipation Notes Series A (the "Notes") in the aggregate principal amount of \$150,000 to finance the seasonal cash flow requirements of the County during the fiscal year ending June 30, 2012. The Notes are secured by a pledge of certain general fund monies. The County paid the notes on June 29, 2012.

Taxable Pension Obligation Bonds, 2011 Series A

On March 15, 2011, the County issued Taxable Pension Obligation Bonds, 2011 Series A (the "2011 POBs") in the principal amount of \$275,920. The 2011 POBs were issued in order to prepay the County's FY 2011-12 pension obligation. The 2011 POBs were purchased by the Treasurer at a rate of 1.82% for investment in the County Pool. The 2011 POBs were issued as convertible capital appreciation bonds, with a fixed rate, a maturity date of June 27, 2012, and an optional put feature, which allows the Treasurer upon 90-days notice to liquidate the investment on April 13, 2012. The obligation of the County to pay principal and interest on the 2011 POBs is imposed by law and is absolute and unconditional. The County paid the bonds on June 27, 2012.

Taxable Pension Obligation Bonds, 2012 Series A

On January 18, 2012, the County issued Taxable Pension Obligation Bonds, 2012 Series A (the "2012 POBs") in the principal amount of \$229,880. The 2012 POBs were issued in order to prepay the County's FY 2012-13 pension obligation. The 2012 POBs were issued as standard bonds, with five fixed rate tranches, and a final maturity date of June 28, 2013. The obligation of the County to pay principal and interest on the 2012 POBs is imposed by law and is absolute and unconditional. As of June 30, 2012, the outstanding principal amount of the 2012 POBs reported in the General Fund was \$229,880.

Refer to Note 4, Deposits and Investments, and Note 18, Retirement Plans, for additional information.

10. SHORT-TERM OBLIGATIONS (Continued)

Description	Balance July 1, 2011	Issuances & Discount/ Premium Amortization	Accreted Interest	Retirements	Balance June 30, 2012	Amounts Due within One Year
County of Orange						
Teeter Plan Obligation Commercial						
Paper Notes, Series A						
Date of Original Issuance: August 26, 2008						
Interest Rate: Variable						
Original Amount: \$178,300						
Various Dates of Maturity with Installments Not to Exceed 270 Days from Date of Issuance						
	\$ 156,900	\$ 58,384	\$ --	\$ (96,520)	\$ 118,764	\$ 118,764
County of Orange						
2011-2012 Tax and Revenue						
Anticipation Notes, Series A						
Date Issued: July 1, 2011						
Interest Rate: 2.00%						
Original Amount: \$150,000						
Maturing in installments through June 29, 2012						
	--	150,000	--	(150,000)	--	--
County of Orange						
Taxable Pension Obligation						
Bonds, 2011 Series A						
Date Issued: March 15, 2011						
Interest Rate: 1.82%						
Original Amount: \$275,920						
Maturing in installments through June 27, 2012						
	277,416	--	(1,496)	(275,920)	--	--
County of Orange						
Taxable Pension Obligation						
Bonds, 2012 Series A						
Date Issued: January 18, 2012						
Interest Rate: 0.75% to 0.95%						
Original Amount: \$229,880						
Maturing in installments through June 28, 2013						
	--	229,880	--	--	229,880	229,880
Total	\$ 434,316	\$ 438,264	\$ (1,496)	\$ (522,440)	\$ 348,644	\$ 348,644

11. 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, 2012, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$5,309,621. 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, 2012, the outstanding principal amount, including the premium of the 2005 Recovery Bonds, and interest were \$54,724 and \$5,101, respectively.

Lease Revenue Refunding Bonds, Series 2005

On August 16, 2005, the Orange County Public Financing Authority (OCPFA) issued its \$419,755 Lease Revenue Refunding Bonds Series 2005 (Series 2005 Bonds) 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, 2012, the outstanding principal amount, including the premium of the Series 2005 Bonds, and interest were \$133,819 and \$17,973, 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.

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, 2012, the outstanding principal amount and interest of the Refunding COPs were \$3,422 and \$14,805, respectively.

The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Public Facilities Corporation.

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

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, 2012, the outstanding principal amount, including the premium of the Series 2006 Bonds, and interest were \$23,263 and \$3,883, 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.

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.

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. As of June 30, 2012, the outstanding principal amounts for the Series 1996A and 1997A Pension Bonds were \$22,659 and \$24,864, respectively.

Airport Revenue Refunding Bonds, Series 2003

In July 1987, the County issued the Airport Revenue Bonds, Series 1987 (1987 Bonds) in the principal amount of \$242,440 to finance the construction of new facilities at John Wayne Airport. In July 1993, the County issued the Airport Revenue Refunding Bonds, Series 1993 (1993 Bonds) in the principal amount of \$79,755 to partially refund the 1987 Bonds. In April 1997, the County issued the Airport Revenue Refunding Bonds, Series 1997 (1997 Bonds) in the principal amount of \$135,050 to complete a forward refunding of the majority of outstanding 1987 Bonds. 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 July 1, 2009, the County called and redeemed the outstanding carrying principal balance of the 1997 Bonds, in the amount of \$44,155.

On May 29, 2003, the County issued, in the principal amount of \$48,680, Airport Revenue Refunding Bonds, Series 2003 (2003 Bonds), the proceeds of which, together with certain monies deposited with the Trustee, refunded and defeased the 1993 Bonds. The interest expense incurred and the amount included as part of the cost of capital assets under construction for the 2003 Bonds for the fiscal year ended June 30, 2012, were \$1,332. As of June 30, 2012, the outstanding principal amount, including premium, and interest for the 2003 Bonds were \$27,755 and \$4,939, respectively.

The 2003 Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, and (3) other miscellaneous revenue. The 2003 Bonds are payable through July 2018. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 125% of the aggregate

11. LONG-TERM OBLIGATIONS (Continued)

Revenue Bonds Payable and Certificates of Participation (Continued)

Airport Revenue Refunding Bonds, Series 2003 (Continued)

debt service requirement over the life of the bonds. For the fiscal year ended June 30, 2012, the principal and interest paid and total net revenues were \$4,576 and \$35,580, respectively

Airport Revenue Bonds, Series 2009A and 2009B

On July 9, 2009, the County issued the Airport Revenue Bonds, Series 2009A and 2009B (2009A and 2009B Bonds) in the aggregate principal amount of \$233,115, with an original issue net premium of \$288. The 2009A and 2009B Bonds were issued to finance a portion of the Airport Improvement Program (AIP), fund the debt service requirement for the bonds, fund capitalized interest on a portion of the bonds and pay costs relating to the issuance of the bonds. The AIP consists of numerous direct improvements to the Airport facilities such as the construction of the new Terminal C, Parking Structure C and two new commuter/regional holdrooms at the north and south ends of the extended terminal. For the fiscal year ended June 30, 2012, the interest expense incurred and the amount included as part of the cost of capital assets under construction for the 2009A Bonds were \$1,276 and \$1,231 respectively, and for the 2009B Bonds were \$3,783 and \$3,638, respectively. As of June 30, 2012, the outstanding principal amount, including premium and discount, of the 2009A and 2009B Bonds were \$65,593 and \$157,469, respectively, and the outstanding interest were \$55,219 and \$98,029, respectively.

The 2009A and 2009B Bonds are secured by a pledge of (1) operating revenues, net of specified operating expenses, (2) interest earnings, (3) other miscellaneous revenue and (4) available Passenger Facility Charges (PFC) revenues. The 2009A and 2009B Bonds are payable through July 2039. 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 the fiscal year ended June 30, 2012, the principal and interest paid and total net revenues were \$15,867 and \$46,775, respectively. The total net revenues include \$11,195 of PFC revenue.

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, including the premium of the Series 1997 Bonds, and interest on these bonds as of June 30, 2012, were \$13,679 and \$728, respectively. For each fiscal year, the pledged net operating revenues are expected to be a minimum of 120% of the aggregate debt service expense payable in such fiscal year.

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, 2012, \$15,790 of legally defeased debt remains outstanding.

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2011-12 Debt Obligation Activity

During FY 2011-12, the following events concerning County debt obligations took place:

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.

On April 25, 2012, the South Orange County Public Financing Authority (SOCPFA) issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012, in the principal amount of \$34,380, to redeem the outstanding OCPFA Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002, fund a Reserve Fund, and pay costs relating to the issuance of the bonds.

Lease Revenue Refunding Bonds, Series 2012 (Juvenile Justice Center Facility)

On April 25, 2012, the SOCPFA issued the Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2012 Bonds, in the principal amount of \$34,380, payable through June 2019, with a premium of \$2,927. The Lease Revenue Refunding Bonds were issued to redeem the outstanding OCPFA Juvenile Justice Center Facility Lease Revenue Refunding Bonds, Series 2002, fund a Reserve Fund, and pay costs relating to the issuance of the bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,579. This difference is reported as a deferred amount on refunding of 2012 Lease Revenue Bonds. There is no current year amortization amount for the deferred amount on refunding. The refunding resulted in a reduction of debt service payments over the next 7 years by \$14,735 and obtained an economic gain of \$8,180. As of June 30, 2012, the outstanding principal amount, including the premium of the Series 2012 Bonds, and interest were \$37,307 and \$5,856, respectively.

The bonds are special obligations of the SOCPFA payable solely from and secured by the base rental payments to be made by the County pursuant to a lease, dated as of April 1, 2012, between the SOCPFA 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.

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.

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The FY 2011-12 NDAPP Refunding Bonds debt service obligations appeared on the OCDA Successor Agency Recognized Obligation

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year 2011-12 Debt Obligation Activity (Continued)

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

Payment Schedule (ROPS) and were approved by the successor agency oversight board and the State Department of Finance, and are to be paid to bondholders according to the debt service schedule.

Effective with the OCDA dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the successor agency.

Refer to Note 12, Conduit Debt Obligations and Successor Agency Debt, for additional information.

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 SAHP.

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The FY 2011-12 SAHP Refunding Bonds debt service obligations appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule (ROPS) and were approved by the successor agency oversight board and the State Department of Finance, and are to be paid to bondholders according to the debt service schedule.

Effective with the OCDA dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the successor agency.

Refer to Note 12, Conduit Debt Obligations and Successor Agency Debt, for additional information.

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2011-12

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2012, were as follows:

Description	Balance July 1, 2011	Issuances and Discount/ Premium Amortization	Retirements/ Transfers	Balance June 30, 2012	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 Defeas 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.	\$ 71,194	\$ (1,305)	\$ (15,165)	\$ 54,724	\$ 17,325
Deferred Amount on Refunding	(4,166)	1,042	--	(3,124)	(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 Defeas the 1996 Recovery Certificates of Participation - Series 1996A. Interest Rate: 3.00% to 5.75% Original Amount: \$419,755 FY 2011-12 Principal and Interest: \$61,173 FY 2011-12 Total Pledged Revenues: \$35,697					
Maturing in Installments Through July 1, 2017.	191,819	(4,120)	(53,880)	133,819	19,699
Deferred Amount on Refunding	(13,842)	2,129	--	(11,713)	(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 the 1987 COPs 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 FY 2011-12 Principal and Interest: \$2,600 FY 2011-12 Total Pledged Revenues: \$2,770					
Maturing in Installments Through December 1, 2018.	4,064	--	(642)	3,422	600
<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 the Series A 1992 Tax Allocation Revenue Bonds Interest Rate: 4.00% to 5.50% Original Amount: \$26,160 FY 2011-12 Principal and Interest: \$2,161 FY 2011-12 Total Pledged Revenues: \$8,891					
Maturing in Installments Through September 1, 2022.	19,379	(249)	(19,130)	--	--
Deferred Amount on Refunding	(657)	55	602	--	--

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2011-12 (Continued)

<u>Description</u>	<u>Balance July 1, 2011</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due within One Year</u>
<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					
FY 2011-12 Principal and Interest: \$49,058					
FY 2011-12 Total Pledged Revenues: \$35,697					
Maturing in Installments Through June 1, 2019.					
Deferred Amount on Refunding	\$ 47,355 (1,748)	\$ (2,530) --	\$ (44,825) 1,748	\$ -- --	\$ -- --
<u>South Orange County Public Financing Authority</u>					
<u>Juvenile Justice Center Facility Lease Revenue</u>					
<u>Refunding Bonds - Series 2012</u>					
Date issued: April 25, 2012 to refund the 2002 Juvenile Justice Center bond issue					
Interest Rate: 1.00% to 5.00%					
Original Amount: \$34,380					
FY 2011-12 Principal and Interest: \$0					
FY 2011-12 Total Pledged Revenues: \$0					
Maturing in Installments Through June 1, 2019.	--	37,307	--	37,307	4,545
Deferred Amount on Refunding	--	(1,579)	--	(1,579)	(226)
<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					
FY 2011-12 Principal and Interest: \$4,202					
FY 2011-12 Total Pledged Revenues: \$35,697					
Maturing in Installments Through June 1, 2018.	26,340	(62)	(3,015)	23,263	3,380
<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 the 1993 Tax Allocation Revenue Bonds					
Interest Rate: 2.00% to 5.25%					
Original Amount: \$38,465					
FY 2011-12 Principal and Interest: \$2,957					
FY 2011-12 Total Pledged Revenues: \$6,072					
Maturing in Installments Through September 1, 2023.	29,430	(1,230)	(28,200)	--	--
Deferred Amount on Refunding	(1,143)	92	1,051	--	--

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2011-12 (Continued)

<u>Description</u>	<u>Balance July 1, 2011</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due within One Year</u>
<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 the Taxable POBs Series 1994 A					
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).					
	\$ 29,197	\$ --	\$ (6,538)	\$ 22,659	\$ 6,195
<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: June 14, 1997 - Capital Appreciation Bonds (CAB)					
To Refund the Taxable POBs Series 1994 A					
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).					
	25,483	--	(619)	24,864	3,403
Subtotal - Governmental Funds	<u>\$ 422,705</u>	<u>\$ 29,550</u>	<u>\$ (168,613)</u>	<u>\$ 283,642</u>	<u>\$ 51,750</u>

11. LONG-TERM OBLIGATIONS (Continued)

Schedule of Long-Term Debt Obligations, Fiscal Year 2011-12 (Continued)

<u>Description</u>	<u>Balance July 1, 2011</u>	<u>Issuances and Discount/ Premium Amortization</u>	<u>Retirements/ Transfers</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due within One Year</u>
<u>Enterprise Funds:</u>					
<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					
FY 2011-12 Principal and Interest: \$4,576					
FY 2011-12 Total Pledged Revenues: \$35,580					
Maturing in Installments Through July 1, 2018.					
Deferred Amount on Refunding (2003 Airport Revenue Bonds)					
	\$ 31,167	\$ (247)	\$ (3,165)	\$ 27,755	\$ 3,531
	(2,554)	637	--	(1,917)	(530)
<u>Airport Revenue Bonds -</u>					
<u>Series 2009A and 2009B:</u>					
Date Issued: July 9, 2009					
Interest Rate: 3.00% to 5.75%					
Original Amount: \$233,115					
FY 2011-12 Principal and Interest: \$15,867					
FY 2011-12 Total Pledged Revenues: \$46,775					
Maturing in Installments Through July 1, 2039.					
	228,070	(322)	(4,686)	223,062	6,206
<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					
FY 2011-12 Principal and Interest: \$7,191					
FY 2011-12 Total Pledged Revenues: \$13,743					
Maturing in Installments Through December 1, 2013.					
Deferred Amount on Refunding (1997 Orange County Public Financing Authority Revenue Bonds)					
	20,006	(21)	(6,306)	13,679	6,659
	(85)	72	--	(13)	(11)
Subtotal - Enterprise Funds	<u>276,604</u>	<u>119</u>	<u>(14,157)</u>	<u>262,566</u>	<u>15,855</u>
Total	<u>\$ 699,309</u>	<u>\$ 29,669</u>	<u>\$ (182,770)</u>	<u>\$ 546,208</u>	<u>\$ 67,605</u>

11. 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:

Fiscal Year(s) Ending June 30	Governmental Funds		Enterprise Funds		Total
	Principal	Interest	Principal	Interest	
2013	\$ 52,803	\$ 36,755	\$ 15,905	\$ 12,793	\$ 118,256
2014	50,802	26,563	17,304	12,072	106,741
2015	52,053	23,866	10,660	11,512	98,091
2016	38,909	35,230	11,040	11,069	96,248
2017	54,721	35,652	11,555	10,533	112,461
2018-2022	31,988	57,788	52,100	44,452	186,328
2023-2027	--	--	55,678	31,258	86,936
2028-2032	--	--	48,785	15,895	64,680
2033-2037	--	--	24,005	7,910	31,915
2038-2040	--	--	17,635	1,420	19,055
Total	281,276	215,854	264,667	158,914	920,711
Add: Premium / (Discount)	18,782	--	(171)	--	18,611
Less: Deferred Amount on Refunding	(16,416)	--	(1,930)	--	(18,346)
Principal Payable, Net	\$ 283,642	\$ 215,854	\$ 262,566	\$ 158,914	\$ 920,976

Changes in Long-Term Liabilities:

Long-term liability activities for the year ended June 30, 2012, were as follows:

	Balance July 1, 2011	Additions	Reductions/ Transfers	Balance June 30, 2012	Due w in One Year
Governmental Activities:					
Bonds and COPs Payable:					
Revenue Bonds	\$ 294,805	\$ 34,380	\$ (149,050) *	\$ 180,135	\$ 26,680
Certificates of Participation	4,064	--	(642)	3,422	600
Pension Obligation Bonds	54,680	--	(7,157)	47,523	9,598
Recovery Bonds	65,361	--	(15,165)	50,196	15,925
Add: Premium/(Discount) on Bonds Payable	25,351	2,927	(9,496) *	18,782	2,344
Less: Deferred Amount on Refunding	(21,556)	(1,579)	6,719 *	(16,416)	(3,397)
Total Bonds & COPs Payable, Net	422,705	35,728	(174,791)	283,642	51,750
Interest Accretion on Capital					
Appreciation Bonds Payable	167,358	13,867	--	181,225	--
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	173,824	129,105	(128,105)	174,824	88,842
Arbitrage Rebate Payable	884	226	(719)	391	--
Capital Lease Obligations Payable	76,074	--	(4,319)	71,755	4,357
Insurance Claims Payable	188,393	123,148	(107,929)	203,612	54,151
Net Pension Obligation	639	229	(928)	(60)	--
SARI Line Obligation	33,999	10,000	(3,671)	40,328	--
Total Other Long-Term Liabilities	473,813	262,708	(245,671)	490,850	147,350
Total Governmental Activities Long-term Liabilities	\$ 1,063,876	\$ 312,303	\$ (420,462)	\$ 955,717	\$ 199,100

* Includes amount transferred to the Successor Agency from the Orange County Development Agency.

11. LONG-TERM OBLIGATIONS (Continued)

Changes in Long-Term Liabilities (Continued)

	Balance July 1, 2011	Additions	Reductions/ Transfers	Balance June 30, 2012	Due w ithin One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 278,824	\$ --	\$ (14,157)	\$ 264,667	\$ 15,907
Add: Premium/(Discount) on Bonds Payable	419	--	(590)	(171)	489
Less: Deferred Amount on Refunding	(2,639)	--	709	(1,930)	(541)
Total Revenue Bonds Payable, Net	<u>276,604</u>	<u>--</u>	<u>(14,038)</u>	<u>262,566</u>	<u>15,855</u>
Other Long-Term Liabilities:					
Compensated Employee Absences Payable	5,218	4,098	(4,038)	5,278	2,480
Arbitrage Rebate Payable	322	108	--	430	281
Landfill Site Closure/Postclosure Liabilities *	163,328	5,394	(1,665)	167,057	1,665
Pollution Remediation Obligation **	13,348	1,840	(878)	14,310	607
Total Other Long-Term Liabilities	<u>182,216</u>	<u>11,440</u>	<u>(6,581)</u>	<u>187,075</u>	<u>5,033</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 458,820</u>	<u>\$ 11,440</u>	<u>\$ (20,619)</u>	<u>\$ 449,641</u>	<u>\$ 20,888</u>

* Refer to Note 14 for additional information regarding the increase in Landfill Site Closure/Postclosure Liabilities.

** Refer to Note 17 for additional information regarding the increase in Pollution Remediation Obligation.

Compensated Employee Absences

The estimated compensated employee absences payable for governmental activities recorded at June 30, 2012, is \$174,824 compared with \$173,824 at June 30, 2011. Employees are entitled to be paid annual leave, compensated 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.

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans New Obligation for FY 2011-12

On June 12, 2007, the Board approved a financing agreement between the Orange County Flood Control District (OCFCD) and Orange County Sanitation District (OCSD) for an amount of up to \$60,000. Concurrently, the Board also approved a financing agreement between the OCFCD and the Santa Ana Watershed Project Authority (SAWPA) for up to \$10,000. The loan proceeds will be used for the relocation of the SARI Line between Prado Dam and Weir Canyon Road for the following public benefits: protection of the sewer line from erosion, increased Prado Dam water releases, protection of the water supply, and uninterrupted use of the sewer line by residents. The total SARI Line Project cost is not expected to exceed \$100,000. The OCFCD would contribute \$30,000 that would be expended over the estimated three year period it will take to complete the SARI Line Project. As part of the terms of the agreement, the OCFCD agrees to pay SAWPA and OCSD as State subvention funding is received by OCFCD. Repayment installments will be made within 30 days of OCFCD's receipt of State subvention funding in an amount equivalent to 10% of the funds received being paid to SAWPA and 60% of the funds received being paid to OCSD. The OCFCD is required to repay the entire loan to OCSD and SAWPA no later than July 1, 2022, regardless of whether OCFCD receives any State subvention funds. For funds loaned by OCSD, interest shall accrue on the unpaid balance from July 1, 2018, at an annual interest rate of 3% until the unpaid balance is repaid. As for funds loaned by SAWPA, interest shall accrue on any such unpaid balance from July 1, 2018, at the State of California Local Agency Investment Fund interest rate in effect on July 1, 2018.

11. LONG-TERM OBLIGATIONS (Continued)

OC Flood Control District, Santa Ana Regional Interceptor (SARI) Line Loans New Obligation for FY 2011-12 (Continued)

In April 2011, OCFCD received a \$36,000 loan from OCSD. The loan amount is recorded on the government-wide Statement of Net Assets as due to other governmental agencies. In May 2011, the Board awarded the construction contract for the SARI Yorba Linda Spur in the amount of \$7,210, and the Board awarded the construction contract for the SARI Mainline in the amount of \$42,000 in August 2011. In addition, OCFCD received a \$10,000 loan from SAWPA in August 2011. As of June 30, 2012, the total outstanding loan principal was \$40,328.

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. Major capital outlay expenditures relating to these bonds are accounted for in the "Service Areas, Lighting Maintenance and Assessment Districts" Special Revenue Fund. Special assessment district and community facilities district bonds outstanding as of June 30, 2012, amounted to \$538,880.

12. CONDUIT DEBT OBLIGATIONS AND SUCCESSOR AGENCY DEBT

Single and Multi-Family Housing Bonds

From 1980 through 2012, 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, 2012, there were 33 series of bonds outstanding, with an aggregate principal amount payable of \$413,937.

OCDA Successor Agency Bond Debt

On December 29, 2011, the California Supreme Court issued an opinion in California Redevelopment Association (CRA) v. Matosantos, upholding the constitutionality of ABX1 26, eliminating Redevelopment Agencies (RDA) statewide effective February 1, 2012. Under ABX1 26, a successor agency was created for each dissolved RDA, including OCDA, and charged with winding down the dissolved RDA's operations and performing enforceable obligations (as defined in the law). The OCDA Successor Agency assumed the dissolved RDA's enforceable obligations, which include bond debt obligations. The fiscal year 2011-12 NDAPP and SAHP Refunding Bonds debt service obligations appeared on the OCDA Successor Agency Recognized Obligation Payment Schedule (ROPS) and were approved by the successor agency oversight board, the State Department of Finance, and were paid to bondholders according to the debt service schedule.

Effective with OCDA's dissolution on February 1, 2012, the assets and liabilities (including bond debt) were transferred to and reported in a private-purpose trust fund of the County. This transfer and reporting structure reflect the custodial role accepted by the successor agency. As of June 30, 2012, the outstanding principal amount, including premium and interest on the OCDA Successor Agency bonds were \$45,713 and \$14,033, respectively.

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.

13. 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 leases and commitments:

<u>Fiscal Year Ending June 30</u>	<u>Equipment</u>	<u>Real Property</u>	<u>Total</u>
2013	\$ 1,217	\$ 27,356	\$ 28,573
2014	12	21,186	21,198
2015	3	19,305	19,308
2016	--	17,300	17,300
2017	--	10,408	10,408
2018 - 2022	--	18,373	18,373
Total	<u>\$ 1,232</u>	<u>\$ 113,928</u>	<u>\$ 115,160</u>

Total expenditures for equipment rentals and operating leases incurred for FY 2011-12 was \$41,942.

Capital Leases

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

Land	\$ 18,707
Equipment	133
Less: Accumulated Depreciation	(23)
Structures & Improvements	80,377
Less: Accumulated Depreciation	(28,134)
Total	<u>\$ 71,060</u>

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30</u>	
2013	\$ 9,802
2014	9,832
2015	8,574
2016	8,762
2017	8,987
2018-2022	43,625
2023-2027	20,033
Total Minimum Lease Payments	<u>109,615</u>
Less: Amount Representing Interest	<u>(37,859)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 71,755</u>

14. LANDFILL SITE CLOSURE AND POSTCLOSURE CARE COSTS

State laws and regulations require OC Waste & Recycling (OCWR) to place final covers on its landfill sites when the landfills stop accepting waste, and to perform certain postclosure 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.

The total landfill closure and postclosure care liability at June 30, 2012 was \$167,057. The total liability represents the cumulative amount accrued based on the percentage of the active landfill capacities that have been used to date (26.54% for FRB, 69.35% for Olinda Alpha and 22.73% for Prima Deshecha), less actual costs disbursed related to both closure and postclosure of the Santiago and Coyote Canyon landfills. The 22.73% amount for Prima Deshecha represents the cumulative amount of landfill capacity used for both Zone 1 and Zone 4. This amount was segregated to more accurately reflect the greater usage to date of Zone 1 in relation to the closure and postclosure care costs. OCWR will recognize the remaining estimated cost of closure and postclosure care of \$177,956 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011 dollars (using the 2011 inflation factor of 1.021). OCWR has enough landfill capacity to operate the system for a minimum of twenty-five years. However, OCWR intends to operate the landfills well beyond this period as a result of approved and planned expansions.

In compliance with Title 27- Environmental Protection of California Code of Regulations, OCWR makes annual cash contributions to its escrow funds to provide financial assurance for estimated future landfill closure costs based on the GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs," 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 or shall obtain alternative coverage within sixty (60) days if OCWR ceases at any time to retain control of its ability to allocate pledged revenue to pay postclosure maintenance costs. 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 adjusted 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.

As of June 30, 2012, a total of \$90,037 has been set aside for estimated closure and postclosure costs and is included in the accompanying Statement of Net Assets as Restricted Pooled Cash/Investments – Closure and Postclosure Care Costs. This amount includes what OCWR has proactively prefunded for postclosure care.

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

Regulations governing solid waste management are promulgated by government agencies on the federal, state and local levels. These regulations address the design, construction, operation, maintenance, closure and postclosure maintenance of various types of facilities, acceptable and prohibited waste types, and inspection, permitting, environmental monitoring and solid waste recycling requirements. Regulations at both the state and federal levels could impose retroactive liability, particularly with respect to cleanup activities relating to any landfill site ever operated by the County, whether or not owned by the County. Refer to Note 17, Estimated Liability for Other Litigation, Claims and Pollution Remediation, for additional discussion regarding pollution remediation liabilities.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County has established a procedure for encumbering appropriations for purchase orders, contracts, and other commitments authorizing delivery of merchandise or rendering of services. An encumbrance system reduces the possibility of commitments being made in excess of budgeted appropriations due to the lag time between issuance of purchase orders, contracts, and other obligations, and the actual provision of services or goods and subsequent receipt of invoices and billings from the vendors and contractors. In accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," the County's total significant encumbrances for governmental funds in the aggregate are reported as follows, at June 30, 2012:

General Fund	\$	43,256
Roads		26,180
Flood Control District		83,333
Other Public Protection		2,260
Other Governmental Funds		19,587
Total Encumbrances for Governmental Funds	<u>\$</u>	<u>174,616</u>

At June 30, 2012, the County's total commitments for major contracts entered into for computer software in development, equipment, land, and structures and improvements were as follows, listed by fund within governmental or business-type activities:

<u>Project Title</u>	<u>Significant Commitments</u>
Governmental Activities:	
General Fund	
Replacement of Boiler Feedpumps at the Central Utility Facility	\$ 1,318
	<u>1,318</u>
Roads	
Antonio Parkway Widening Project - Ladera Planned Community to Ortega Highway	6,147
17th Street Pavement Rehabilitation & Landscape Improvements - Prospect Avenue to Newport Avenue	2,171
Antonio Parkway Landscaping	1,285
	<u>9,603</u>
Flood Control District	
Santa Ana River Interceptor Line Project	36,500
East Garden Grove Wintersburg Channel Haster Retarding Basin Project	25,167
Los Alamitos Pump Station: New Pump and Pump House	3,271
Fletcher Retarding Basin Project - From Santa Ana River to Upstream Fletcher Retarding Basin	2,966
Edinger Storm Channel Improvement	1,941
	<u>69,845</u>

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Project Title	Significant Commitments
Governmental Activities (Continued):	
Other Governmental Funds	
Purchase of Law Enforcement Vehicles	\$ 1,466
Laguna Niguel Library Expansion Project	1,155
	<u>2,621</u>
Business-Type Activities:	
Airport	
Seismic Remediation Elevated Roadway Project	2,927
Airline Offices Tenant Improvements	1,859
Common Use Passenger Processing System (CUPPS)	1,445
	<u>6,231</u>
Waste Management	
Phase C3 Liner Project at Prima Landfill	7,378
Construction Management, Construction Quality Control, Archaeo/Paleo Services for Prima Landfill	2,400
Olinda Drainage Channel Improvements and Repairs	1,436
Frank R. Bowerman Construction Management, Construction Quality Control Slide/Buttress	1,271
	<u>12,485</u>
Total Commitments	<u>\$ 102,103</u>

In addition, the County is involved in the Santa Ana River Mainstem Project (SAR). 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 through a separate Project Cooperation Agreement (PCA). The purpose of the SAR/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 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 Seven Oaks Dam in San Bernardino County, construction of improvements and protection at the Santiago retention basin and along the creek, raising the existing Prado Dam and increasing its flood flow outlet gates and reservoir capacity, along with several environmental mitigation related studies, habitat restoration and protection activities, recreation amenities, and preservation of historical sites and records.

The COE's estimated combined cost of all project components is \$2,088,000. OCFCD's combined cost share is estimated to be \$1,802,318 for the entire Santa Ana River Project. As of June 30, 2012, the OCFCD has expended about \$499,837 on the Santa Ana River Project.

The construction of Seven Oaks Dam and most channel improvements in Riverside, San Bernardino, and Orange counties have been completed. The relocation and protection of State Route (SR) 71 adjacent to Prado Dam (a joint OCFCD and Caltrans project) and construction to raise the Prado Dam embankments and install new outlet gates is complete. Landscaping along the Santa Ana River in Orange County was completed in May 2010. Design for the construction of interior dikes in the Prado Dam reservoir, and for improvements and protection of SR-91 in the Santa Ana River canyon are also underway. The COE completed construction of National Housing Tract Dike and Sewage Treatment Plant Dike in 2008. Landscaping for these Dikes began in September 2009 and completed in June 2011. Several environmental mitigation studies and restoration/pre-

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

ervation projects are underway in all three counties. All property right acquisitions for the Seven Oaks Dam and along the lower Santa Ana River 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 first phase of SR-91 protection is currently under construction and is expected to be completed in January 2013. The OCFCD has awarded the construction contract on August 9, 2011 for the 4 miles of Santa Ana River Interceptor Line (SARI) relocation project, which is expected to be completed by January 2014. A separate construction contract for the Yorba Linda Spur, a component of the SARI relocation project, was awarded on May 3, 2011, and was completed in November 2012. Construction of the Auxiliary Embankment (an extension of the Prado Dam) was initiated in November 2010 at a cost of \$13,800 and is expected to be completed in September 2013. The OCFCD continues to acquire 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, 2012, the OCFCD has submitted \$306,723 in claims, and received \$258,871 in reimbursements. An additional \$43,163 in claims is in the process of being prepared for submittal to the DWR, for a total of unpaid claims for expenses through June 30, 2012, of approximately \$91,015. Of this amount, \$15,390 was appropriated by the State for FY 2012-13, and therefore was accrued as revenue in the government-wide financial statement. 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.

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.

OCFCD is also seeking deferral of a portion of its cost share obligations for the Prado Dam Project as allowed through Section 103(a)(4) of the Water Resources Development Act (WRDA) of 1986. Under this Section, OCFCD may have the ability to defer payment of a portion of its cost share obligations (those which exceed 30% of total project costs), until after project completion, and reimburse the Federal Government over a period of 15 years after the project is finished. The steps necessary to exercise this Section of WRDA 1986 are being discussed between OCFCD and COE.

16. SELF-INSURANCE

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish Internal Service Funds (ISFs) where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention. The Workers' Compensation Program ensures that all benefits are properly provided and administers the contract for the third party workers' compensation claims administration. Workers' compensation claims are self-funded up to \$20,000.

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 \$100,000 in liability coverage. In the past three fiscal years, there was only one instance in FY 2010-11 in which the County had sustained a loss that impacted its excess insurance coverage.

16. SELF-INSURANCE (Continued)

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, allocated loss adjustment expenses and unallocated 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 2.84% in the Workers' Compensation ISF and 1.93% in the Property and Casualty Risk ISF to reflect anticipated future investment earnings.

All County departments and other governmental agencies authorized by the Board to participate in the Workers' Compensation ISF are charged for their pro rata share of costs based upon employee classification rates, claims experience, and funding for the Worker's Compensation program. 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, actual number of positions from a biweekly County payroll report, and funding for the Property and Casualty Risk program. 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 short-term disability benefits for a portion of the County's employees and accidental death and dismemberment (AD&D) benefit for Reserve Deputy Sheriffs.

The County's Premier Wellwise, Wellwise Retiree, Premier Sharewell, and Sharewell Retirees have no lifetime coverage maximums. 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. Unemployment benefits covered by law is up to 26 weeks and up to an additional 51 weeks of benefits coverage through the Federal-State Extended Duration program or when the employee returns to work or no longer meets the requirements for the benefits. The self-insured AD&D benefit is for Reserve Deputy Sheriffs only and has a maximum benefit of \$5,000 (absolute dollars).

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 Insurance	Health & Other Insurance	Total
Unpaid Claims, Beginning of FY 2010-11	\$ 122,453	\$ 41,990	\$ 3,722	\$ 10,949	\$ 179,114
Claims and Changes in Estimates	40,825	17,884	2,762	60,976	122,447
Claim Payments	(26,763)	(21,994)	(2,738)	(61,673)	(113,168)
Unpaid Claims, End of FY 2010-11	\$ 136,515	\$ 37,880	\$ 3,746	\$ 10,252	\$ 188,393
Claims and Changes in Estimates	37,413	22,801	(389)	63,323	123,148
Claim Payments	(27,677)	(16,003)	(1,824)	(62,425)	(107,929)
Unpaid Claims, End of FY 2011-12	<u>\$ 146,251</u>	<u>\$ 44,678</u>	<u>\$ 1,533</u>	<u>\$ 11,150</u>	<u>\$ 203,612</u>

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION

Estimated Liability for 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 16, 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. Although the aggregate amount asserted in such lawsuits, or claims is significant, County management believes that the ultimate outcome of these matters will not have a significant effect on the financial position or changes in financial position of the funds of the County.

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.

Retired Employees Association of Orange County, Inc. v. County of Orange In late 2006, the County determined that due to a large unfunded liability, the current Retiree Medical Program needed to be changed. These changes were challenged in two separate lawsuits filed by Orange County's retirees. The first, Retired Employees Association of Orange County, Inc. ("REAOC") v. County of Orange, filed in November 2007, sought declaratory and injunctive relief contesting the splitting of the pool for purposes of determining health insurance premiums. The Board authorized County Counsel to retain the law firm of Meyers Nave Riback Silver & Wilson ("Meyers Nave") to handle this litigation and the Harris case discussed below.

In the REAOC case, on June 19, 2009, the Federal Court ruled in the County's favor on Cross-Motions for Summary Judgment. Plaintiff appealed that decision and oral argument was heard at the Ninth Circuit Court of Appeal on June 10, 2010.

On June 29, 2010, the Ninth Circuit issued an "Order Certifying a Question to the Supreme Court of California," asking that Court to provide an answer as to the following question:

"Whether, as a matter of California law, a California county and its employees can form an implied contract that confers vested rights to health benefits on retired county employees."

The California Supreme Court accepted that referral. Oral argument before the Court was heard on October 3, 2011 and on November 21, 2011 the Court issued its findings stating:

"In response to the Ninth Circuit's inquiry, we conclude that, under California law, a vested right to health benefits for retired employees can be implied under certain circumstances from a county ordinance or resolution. Whether those circumstances exist in this case is beyond the scope of the question posed to us by the Ninth Circuit."

Additionally, the Court found that courts must look to the legislation in question to determine the parties' contractual rights and obligations and whether any implied contract can be inferred from it. The Court found that in order to create a binding contractual right, the legislation (i.e., the resolution here) must "clearly evidence a legislative intent to create private rights of a contractual nature enforceable against the governmental body." The Court also found that "implied rights to vested benefits should not be inferred without a clear basis in the contract or convincing extrinsic evidence." Significantly, the Court reaffirmed the existence of a presumption against finding a legislative intent to create private contractual or vested rights, which the proponent of the rights asserted must overcome:

"Thus, it is presumed that a statutory scheme is not intended to create private contractual or vested rights and a person who asserts the creation of a contract with the state has the burden of overcoming that presumption." (*Walsh v. Board of Administration (1992)*).

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

Retired Employees Association of Orange County, Inc. v. County of Orange (Continued)

The Ninth Circuit remanded the case to the District Court for further proceedings in light of the California Supreme Court's decision. Outside counsel believes it is unlikely Plaintiff will be able to meet the burden of proof on the implied contract theory when the case returns to the District Court. Supplemental briefs have now been filed with the District Court regarding the impact, if any, of the Supreme Court's decision on the prior ruling in the County's favor by the District Court. Oral argument on the issue was held on May 21, 2012. On August 13, 2012, the District Court again granted summary judgment in favor of the County, ruling that no implied contract rights existed in favor of the retirees.

Plaintiffs again appealed the court's decision to the Ninth Circuit. REAOC's opening brief is due February 19, 2013 and the County's responding brief is due March 21, 2013. The outcome of the appeal cannot be predicted at this time; however, should Plaintiff succeed in its overall efforts, this lawsuit could have a significant financial impact on the County.

Gaylan Harris, et al. v. County of Orange The second case, related to the REAOC case discussed above, was filed as a class action on behalf of County retirees on January 22, 2009 by retired employee Gaylan Harris. The issues and claims in Harris are, for the most part, the same as or similar to those raised in the REAOC matter described above. Based on the Court's ruling in REAOC, the County filed a motion to dismiss the Harris action. That motion was heard on June 14, 2010. For a period of months, the Court in Harris delayed ruling on the motion in hopes of learning the outcome of the Ninth Circuit appeal in REAOC. However, because the Ninth Circuit in the REAOC case delayed its own ruling on that appeal in order to refer the issue of implied contract under California law to the California Supreme Court, the Court in Harris went forward and ruled on the County's motion for judgment on the pleadings. On March 29, 2011, the Court granted the County's motion as to all claims and judgment was entered in the County's favor.

On April 22, 2011, the Plaintiffs appealed this decision to the Ninth Circuit. After fully briefing the case, the parties argued the matter on October 11, 2011. The Ninth Circuit then requested briefing from the parties on the impact, if any, of the California Supreme Court's decision in the REAOC case described above. On January 20, 2012, the County filed its letter brief addressing the impact of the Supreme Court's ruling and responding to the question of why the Harris case should not also be remanded to the district court for further proceedings in coordination with the REAOC matter.

On June 8, 2012, the Court issued its ruling reversing and remanding the case to the District Court for further proceedings. In response to the Ninth Circuit's opinion, Plaintiff's counsel filed a Request for Clarification on a point of law. The County filed its response on July 9, 2012, requesting that the Court deny Plaintiff's request. On July 23, 2012, the Ninth Circuit denied Plaintiff's request for clarification. The Ninth Circuit then returned the case back to the District Court. Upon remand, Plaintiff's filed an amended complaint. In response, the County filed a Motion to Dismiss. Arguments on the County's motion will be heard on January 17, 2013.

Given the fact that the judgment in the related REAOC matter is not yet final, it is difficult to predict the County's potential liability in the two cases at this time, but should the Plaintiffs prevail, these lawsuits could have significant financial impact on the County.

County of Orange v. Asfour Family Corporation Under a County Ordinance, property developers must pay a development impact fee as a condition of the issuance of a construction permit. The development impact fee is designed to defray the costs of construction of bridges, freeways, and major thoroughfares. The San Joaquin Transportation Corridor Agency ("TCA"), which manages a toll road in Orange County, assessed approximately \$1,000 in development impact fees on lessees of the County for their related construction at the new Terminal C at County-owned John Wayne Airport. The County collected fees from the lessees and transferred a portion of the fees to the TCA. The County has been advised that the assessment of these fees is illegal since fees cannot be assessed against government property.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

County of Orange v. Asfour Family Corporation (continued)

In February 2012, with the Board's authority, the County filed an interpleader action and deposited approximately \$160 with the Court for a determination as to whether those fees (which were the only collected fees the County continued to hold) should be sent to the TCA or returned to the lessees. The interpleader action named the TCA and the interested lessees as defendants. The County will ask the Court to rule that the funds should be returned to those lessees wanting their fees refunded. There may be related future litigation involving the remaining fees TCA assessed.

TCA has since filed a cross-complaint against the County and all the original defendants to this action, as well as against Southwest Airlines and Frontier Airlines, alleging causes of action for breach of contract (specific performance and damages) and writ of mandate against the County and declaratory relief as to all the cross-defendants. On June 14, 2012, the court denied in part and sustained in part the County's demurrer to TCA's cross-complaint, granting TCA leave to amend.

Trial in the action is scheduled for April 29, 2013. The County has filed its answer to TCA's First Amended Cross-Complaint and is currently engaged in discovery. It is too early to assess the exposure of the County to any affirmative recovery by the TCA in the action.

Morrison Pump Company, Inc., v. SSC Construction, Inc.; Cross-complaint by SSC Construction, Inc. against OCFCD, County, and OC Public Works On June 26, 2007, as the governing body of the Orange County Flood Control District ("District"), the Board awarded a contract to SSC Construction, Inc. ("SSC") in the amount of \$21,707 for the construction of the Los Alamitos Pump Station Project ("Project"). The Project is still ongoing after having encountered a number of complications, which were by and large unforeseeable to OCPW. Such complications have caused major delays in the construction schedule. In the above referenced litigation and in Government Code claims filed with the County, SSC asserts that it was not responsible for any of the delays and that it has suffered substantial delay costs for which it alleges a right to be compensated by the District.

SSC filed its first claim for the initial period of delay on July 13, 2009. In that claim, SSC asserted the right to recover delay damages for the period covered by the claim in the amount of \$1,050. OCPW has reviewed the claim and disputes significant portions of SSC's alleged damages. In August, 2009, the District denied the claim. Then on November 9, 2010, SSC filed an "amendment" to its prior claim. The second claim addressed a specific issue regarding the installation of steel impellers, totaling \$250. SSC had recently been sued in the above referenced lawsuit by its subcontractor, Morrison Pump, for SSC's alleged failure to pay for the impellers. SSC filed the amendment to the claim against the County shortly thereafter in order to assert claims relating to the Morrison Pump matter. On December 23, 2010, the County denied that second claim.

Meanwhile, on November 29, 2010, SSC served the District with a cross-complaint in the Morrison Pump lawsuit. SSC's cross-complaint alleges damages in excess of \$1,300 (which is the combined amount of its two claims). In the cross-complaint SSC also asserts additional claims including claims for indemnity and contribution in which SSC claims that its failure to pay its subcontractor, Morrison Pump, is a result of the District's refusal to pay SSC until the impellers are modified to meet the Project plans and specifications.

Settlement discussions occurred from January through April 2011. The goal of those discussions was to reach a partial settlement of the portion of SSC's delay claims that are not subject to reasonable dispute. Although no agreement could be reached with SSC as to a partial settlement, on May 17, 2011, the Board approved the issuance of a unilateral change order for additional payment to SSC in the amount of \$778. That payment was made and should satisfy the undisputed portion of SSC's delay claims for the approximate 8-month period of delay ending July 31, 2008 and should mitigate the District's exposure to late payment claims, costs and fees relating to those delay claims. The partial settlement does not cover, and leaves for litigation, SSC's claims for extended home office overhead and delay claims relating to Morrison Pump's delivery of non-conforming impellers.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

Morrison Pump Company, Inc., v. SSC Construction, Inc.; Cross-complaint by SSC Construction, Inc. against OCFCD, County, and OC Public Works (Continued)

In early 2012, SSC served on the County a new claim, asserting the right to recover more than \$2,700 in additional compensation on the project through August 2011, about half of which is composed of asserted home office overhead costs incurred through August 2011. County Counsel anticipates this claim and any others that arise during the remainder of SSC's involvement in the project will be pursued through the pending lawsuit.

Pretrial discovery and preparation are ongoing. The previously scheduled trial date of June 4, 2012 was vacated. A new trial date will likely be scheduled once SSC's role on the project is finished.

During recent discovery, counsel for the District learned that Morrison Pump informed SSC of Morrison's position that the pumps as installed by SSC have a high probability of being damaged or failing during critical flood control pumping. This creates an additional issue, which may require consideration of expensive mitigation measures on the District's part to test and perhaps even replace the pumps if they are found to be defective.

It is too early in the process of discovery and investigation to accurately quantify the total exposure of the District to the claims being pursued by SSC.

County Counsel and the law firm of Sheppard Mullin Richter & Hampton, LLP are representing the County in this action. On November 27, 2012, the County received a new Government Claim filed by SSC against the County. The new claim seeks reimbursement for extra work performed by SSC on the heat exchangers for the project. The County asserts SSC has been paid all it is owed for this work. SSC's new claim will most likely be added to the pending litigation. The amount of the claim is unknown; SSC only states it exceeds \$10.

Orange County Flood Control District v. Altfillisch Construction Company On June 22, 2010, the Board of Supervisors authorized initiation of a condemnation action to acquire property interests required by the Orange County Flood Control District ("District") for the Prado Dam Project in real property owned by Altfillisch Construction Company. The property is used by the owner primarily for storage of heavy construction equipment. On July 6, 2010, outside counsel at California Eminent Domain Law Group filed the action in Riverside County Superior Court. Also pursuant to Board authority, the firm made a deposit of estimated just compensation in the amount of \$3,950 with the State Treasury's Condemnation Deposits Fund. The property owner has now withdrawn the deposit. The issue to be determined in the action is whether the owner is entitled to any additional compensation.

As required by the Eminent Domain law, the parties exchanged valuation data on February 28, 2012. The District's trial appraiser has opined that the applicable fair market value of the property interests the District is acquiring is \$2,143. The property owner's trial appraiser has opined that the property interests are worth \$18,811.

Trial in the case began on July 2, 2012. After approximately 20 days of trial spread over eight weeks, a Riverside County jury returned a verdict on August 27, 2012, finding that the Owner was entitled to receive \$15,005 as compensation for the fair market value of the Property.

As authorized by the Board of Supervisors in closed session on September 25, 2012, County Counsel and outside trial counsel engaged in post-trial mediation of the case in an effort to settle the matter for less than the judgment amount. As a result of that mediation, the parties reached a settlement for modification and reduction of the judgment amount to \$12,000. The judgment has now been fully paid by the Flood District and a satisfaction of judgment was executed by the Owner's attorney. This brings this matter to a conclusion. The County has accrued a liability of \$12,000 in the government-wide financial statements.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

Fair Labor Standards Act ("FLSA") Actions Brought by AOCDS The County and the Sheriff's Department have been sued in a series of federal actions under the FLSA by AOCDS and its members. These cases have included *Jeffrey Weaver v. County of Orange*, *Margaret Reed v. County of Orange*, and *Herbert Siegmund, et al. v. County of Orange, et al.*

The *Reed* case was a purported class action brought on behalf of more than six hundred (600) Sheriff's Deputies who allegedly shared a common set of complaints regarding alleged violations of the FLSA. The County successfully brought a motion to decertify the class of plaintiffs. As a result of that motion, the Federal Court in *Reed* decertified the alleged class as to all but one class claim for pay during periods before and after deputies' work shifts when they "don and doff" their uniforms. On May 12, 2010, the Court granted a County motion and dismissed the donning and doffing claims as well. This left just a single plaintiff, Margaret Reed, to pursue her individual claims. However, the *Reed* plaintiffs have filed an appeal of that ruling with the Ninth Circuit.

Plaintiffs' counsel then attempted to avoid the effect of the Court's ruling in *Reed* by filing the *Weaver* case, alleging the same claims as in *Reed* on behalf of more than six hundred (600) former *Reed* class members in their individual capacities. The Court rejected that attempt and granted the County's motion in *Weaver* to strike and dismiss all named class plaintiffs from the complaint, and reduced the case to a complaint by a single deputy, Jeffrey Weaver.

However, in making that ruling in the *Weaver* case, the Court tolled the statute of limitations applicable to the claims of the dismissed individual plaintiffs for sixty (60) days (until July 2, 2010). As a result, 128 individual actions were filed. The Court in those actions urged all parties to all of these actions to engage in mediation. As a result of negotiations, an agreement was reached entitling each named plaintiff to \$8 of back pay.

On January 21, 2012, Plaintiff's filed a motion for preliminary settlement approval with the Court on those terms. At the hearing Plaintiff's counsel indicated that he believed they could get all but one or two plaintiffs to accept the terms of the settlement. The Court granted preliminary approval of the settlement and ordered that formal opt-in/opt-out notices be sent to all plaintiffs.

Although Plaintiff's counsel were unable to achieve 100% participation of the individual plaintiffs and Reed plaintiffs and despite the fact that only about 10% of the non-plaintiffs opted into the settlement of their claims, the Board of Supervisors approved the settlement and directed counsel and staff to proceed with its consummation.

Based on the Board's approval, plaintiffs' attorneys filed their motion for settlement approval with the court on May 14, 2012. The final approval of the settlement was entered by the Court on June 4, 2012 and Judgment was entered on June 25, 2012. Plaintiffs' counsel report that 127 of 129 individual plaintiffs (leaving 2 opt-outs), 526 of the 545 Reed Appeal plaintiffs (leaving 19 opt-outs), and 198 non-plaintiff's opted into the settlement. The plaintiffs who opted-out of the settlement had until August 10, 2012 to re-file their cases in order to avoid any further running of the statute of limitations. No new actions were filed. The remaining cases do not pose significant liability to the County. The County has accrued a liability of \$629 in the fund-level financial statements.

County of Orange v. Horizons Construction Co. and First National Insurance In January 2009, the Board of Supervisors awarded a contract ("the Agreement") for \$3,655 to Horizons Construction Co. International, Inc. ("Horizons") to construct the Prima Deshecha Landfill Office Building ("the Project"). The Project consists of constructing a 10,200 square foot "green" office building as well as certain exterior paving, landscaping, and related site work. The Project is managed through OC Waste and Recycling ("OCWR"). Horizons fell behind during construction and made numerous requests for extensions of the completion date. OCWR determined that certain delays were not the fault of the contractor, and extended the completion date by 50 additional days but denied other requests by Horizons' for additional time. With the additional time granted Horizons, all

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

County of Orange v. Horizons Construction Co. and First National Insurance (Continued)

work should have been completed no later than September 30, 2010. Horizons failed to meet this deadline. Horizons blames the delays on OCWR and continues to assert that they are entitled to be compensated for delay related damages.

Horizons also submitted numerous change order requests asserting that it was entitled to additional compensation for work that it asserts was additional work not adequately described in the plans and specifications for the Project or work it asserts constituted unknown conditions. The vast majority of those change order requests were denied by OCWR on the recommendation of the OCWR's construction management firm as unjustified. Horizons continues to assert it is entitled to additional compensation for these rejected change order requests.

Significant aspects of Horizons' work have been substandard. Horizons' substandard work includes a misapplied stain to the concrete floors, cracking in concrete; significant water leakage in the building through unprotected openings at the roof line, defective grout and control joints in the concrete block walls, improperly applied waterproofing and improperly sealed window openings. Horizons' poor construction resulted in severe mold growth resulting in substantial remediation costs to OCPW. Further there are missing HVAC control panels, incomplete sliding door assemblies and many more items of defective or incomplete work by Horizons.

In addition to the poor construction, Horizons failed to meet key deadlines in their own schedule which further delayed the project, ultimately resulting in OCPW terminating Horizons performance of certain portions of the exterior site work and taking over those portions of work.

On June 7, 2011, the Board authorized County Counsel and outside counsel at the firm of Sheppard Mullin Richter & Hampton, LLP to file suit against Horizons and its surety, First National. On November 4, 2011, the County filed its Complaint for (1) Recovery on Performance Bond; (2) Breach of Contract; and (3) Negligence in Superior Court for the County of Los Angeles against Horizons' and First National. All parties were served with the complaint on November 7, 2011.

On November 7, 2011, Horizons delivered its own claim to OCWR and the Clerk of the Board. The claim asserted a right to recover more than \$1,900 in claimed damages. The County prepared a detailed response, denying the claim in its entirety.

Then, in June 2012, when Horizons filed its answer to the County's complaint, Horizons also filed a cross-complaint against the County, in which it is entitled to recover more than \$2,700 in damages. Horizons also cross-complained against three of its subcontractors for indemnity. Horizons alleges that if it is found liable to the County for any amount, then the subcontractors are liable to Horizons for that amount. At the same time, several subcontractors have filed separate actions against Horizons (and the County under the stop notice procedures) for collection of alleged unpaid amounts. It is likely that those actions will be consolidated into the main action.

In September 2012, counsel for the County filed a cross-complaint against Horizons for filing false claims, which affect two or more of the claims presented in the case by Horizons. Now that the pleadings are set in the case, counsel for the County is now in the process of engaging expert trial consultants, having them analyze the County's damages in the case, conducting discovery and analysis of the claims and defenses of Horizons and its surety.

As this case is still in the discovery stage, the County's exposure to liability and its chances of obtaining significant recovery of its own against Horizons and its surety are difficult to estimate.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

Stueve Bros. Farms, LLC v. County of Orange, Orange County Flood Control District, and Board of Supervisors This inverse condemnation action was served on the Clerk of the Board on January 24, 2012. As explained below, this action has been dismissed without prejudice for the time being, subject to a tolling agreement entered into between the parties, in order to allow the parties to explore the possibility of a resolution without litigation. However, in light of the uncertainty of such discussions and the possibility that the action may be re-filed, we are reporting this action as part of this report.

This action arose from the Orange County Flood Control District's ("OCFCD") Prado Dam Project ("Project"). The Board authorized County Counsel to engage the law firm of Murphy & Evertz and its principal eminent domain attorney, John Murphy, to defend the County, OCFCD and the Board against this action.

The property that was the subject of this inverse condemnation action is a former dairy property that lies within the current Project boundaries and within the projected inundation area once the Project is completed and the elevation of the dam and spillway is raised. The owner of the subject property, Stueve Bros. Farms, LLC ("Stueve") founded the Alta Dena Dairy. The Stueve Property consists of approximately 270 acres, 129 of which are already burdened by an existing flowage easement held by the U.S. Government (i.e., the Corps of Engineers). Stueve claimed in the complaint that the ongoing Project and OCFCD's alleged delays in pursuing acquisition of the subject property impaired its use and development of the property in a way that amounts to an unconstitutional "taking," resulting in so-called "precondemnation damages" and severance damages, among other allegations. Stueve sought a judgment against OCFCD and the County for damages totaling \$60,000.

Initial analysis of the case indicated that the lawsuit lacked merit. But if Stueve were to re-file the action and prevail, this would force OCFCD to acquire the subject property and to pay Stueve fair market value which would be determined by a judge or jury. The court or jury might also award precondemnation damages and/or severance damages that Stueve proves it has incurred as a result of the Project and the alleged taking of its property. If Stueve were to prevail, it would also likely recover its attorney's fees incurred in the action (which is one primary difference between inverse condemnation actions and conventional eminent domain actions where attorney's fees are more difficult for a property owner to recover).

In light of the uncertain status of potential settlement discussions, and the fact that no discovery or detailed legal analysis of the basis for the Stueve Farms claims has been conducted, it is not possible at this time to provide a reliable assessment of potential liability.

California Department of Finance, et al. v. Jan Grimes, etc. The State of California Department of Finance and the Chancellor of the State Community College District system filed suit in late April, seeking a writ of mandate and injunction to compel the County's "Interim Auditor-Controller," Jan Grimes (whose title is actually Chief Deputy Auditor-Controller) ("A-C"), to revert to the calculation of the Vehicle License Fee Adjustment Amount (VLFAA) that included the historical offset or reduction of the County's share of VLFAA by the amount of Vehicle License Fee revenues ("VLF") that had been set aside for the County in 1995 under AB 1096. The method of calculating VLFAA that was implemented by former A-C David Sundstrom in January 2012 (at the Board's request) results in an increase in the County's share of VLFAA of approximately \$73,500 per year. The A-C independently developed this calculation in consultation with Tom Hiltachk of the firm Bell, McAndrews & Hiltachk ("BMH"). The Board of Supervisors authorized the A-C to be represented in the action by the BMH firm.

The Board also authorized Best, Best & Krieger ("BBK"), as special litigation counsel for the County, to take steps to join the County in the lawsuit either through a stipulation or a motion to intervene. The existing parties to the case stipulated to allow the County and the local community college districts to intervene in the case. The County filed its complaint in intervention that will preserve the County's defense to the action, including potential offset of any liability by the amount of any prior shortfall in what the County should have been receiving in VLFAA due to the set-aside of VLF.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

California Department of Finance, et al. v. Jan Grimes, etc. (Continued)

The case is assigned for all purposes to Orange County Superior Court Judge Robert Moss. The court has scheduled the hearing on the merits in the case for January 28, 2013. A briefing schedule has been agreed on that will call for briefing by all parties between November 21, 2012 and January 11, 2013.

If the Plaintiff's prevail in the lawsuit, this will mean a loss of revenue to the County of approximately \$73,500 per year (based on the most recent annual calculation). Because the outcome of the case is dependent on complex issues of constitutional and statutory interpretation and construction, some of which may be issues of first impression, the chances of success in the action cannot be reliably estimated at this time.

County of Orange vs. RxAmerica On December 5, 2012, the County filed an action against a subsidiary of CVS/Caremark, RxAmerica, LLC ("RXA"). The purpose of the litigation is to recover more than \$5,600 in overbillings and/or impermissible charges from 2007 through June 30, 2012 by RXA for prescription services provided by RXA under a contract with the County's Health Care Agency ("HCA") pertaining to HCA's Medical Services for Indigents program and Behavioral Health Services program. As part of the contract, RXA and HCA had agreed to a medication formulary that listed the agreed-upon services and the condition to fill prescriptions outside this formulary. The contract also required RXA to submit to an independent annual audit, performed by a HCA contract auditor. The audit findings for the period July 1, 2007 to June 30, 2012 revealed that RXA did not follow its contractual obligations, resulting in an overcharge of approximately \$5,600 over the contract period. Despite repeated efforts by HCA to resolve the outstanding audits, RXA did not clear the findings. Consequently, HCA did not pay RXA's invoices corresponding to May and June 2012. This amounted to approximately \$3,800. HCA obtained the Board of Supervisors' permission to file a lawsuit for the remaining \$1,800. Accordingly, on December 5, 2012, HCA filed a complaint as stated above. While it is probable that RXA will file a cross-complaint against the County for the \$3,800 HCA has withheld in payments which RXA claims it is due, the County claims it does not owe anything to RXA and, in fact, is owed an additional \$1,800 from RXA.

As this case is still in the initial pleading stage, the County's exposure to liability due to any possible cross-complaint is difficult to determine at this time.

Association of Orange County Deputy Sheriff's v. County of Orange, Orange County Sheriff's Department, Orange County Sheriff Sandra Hutchens, et al. On August 17, 2010, the Association of Orange County Deputy Sheriffs ("AOCDS") filed an action in Orange County Superior Court against the County and the Sheriff seeking to enjoin the Sheriff from further implementing the staffing of Orange County jails with a new classification of non-sworn employees, Correctional Services Assistants ("CSAs" – who are part of the OCEA bargaining unit), to perform functions in the jails that AOCDS alleged had been historically performed by sworn Deputies/members of AOCDS. A hearing on AOCDS's preliminary injunction motion occurred on September 24, 2010, before Judge Makino. Despite County Counsel's strong arguments, the court granted the injunction. On September 28, 2010, the Board authorized County Counsel to pursue an appeal of the injunction. In conjunction with the filing of that appeal, County Counsel also sought and received from the Court of Appeal an order staying the effect of the Superior Court's preliminary injunction during the pendency of the appeal.

On September 28, 2011, the Court of Appeal issued its decision affirming the trial court's order enjoining the CSA program pending hearing on the merits of AOCDS's petition for writ of mandate. The Court of Appeal concluded that the trial court had not abused its discretion in granting the preliminary injunction. The Court concluded that the "work" being performed by CSAs in the Orange County jails is work that was historically performed by deputies in the jail. Based on this conclusion, the Court expressed the opinion that AOCDS demonstrated a likelihood of success on the merits because transferring "work" from the members of one bargaining unit to members of another bargaining unit (CSAs are represented by OCEA) is a subject of mandatory bargaining under the Meyers-Milias-Brown Act (MMBA) and the operative MOU between AOCDS and the County.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Liability for Litigation and Claims (Continued)

Association of Orange County Deputy Sheriff's v. County of Orange, Orange County Sheriff's Department, Orange County Sheriff Sandra Hutchens, et al. (Continued)

The Court of Appeal also concluded that AOCDS had demonstrated it was likely to suffer greater harm during the pendency of the trial than the County because use of the CSAs in the jail would necessarily reduce the number of AOCDS members; the court indicated that a union can be "harmed" by a diminution of its membership. Moreover, the Court concluded the AOCDS members were harmed because using CSAs in positions previously occupied by a deputy Sheriff reduced the "shift options" available to deputy Sheriffs. The Court of Appeal was dismissive of the Sheriff's asserted harm relating to the budgetary impacts of having to reverse course on a staffing plan that included use of CSAs in the jails and having to staff such vacant positions with overtime deputies. The Court's opinion was final on October 28, 2011, and the Court of Appeal ordered that its earlier stay of the Superior Court's preliminary injunction was lifted as of that date.

A trial date of March 26, 2012, was scheduled by the trial court. However, in March 2012, AOCDS was allowed by the court to file a First Amended Complaint that added a cause of action for damages. At that time, the damages sought were poorly defined and appeared to be nominal and of little consequence. The Court allowed the filing of that amendment but bifurcated the case so that the trial would proceed initially only on the AOCDS writ of mandate petition, with the damages claim to be heard later.

The trial went forward as scheduled. Over the course of two weeks, the Court (Judge Franz Miller presiding) heard four and a half days of live testimony and almost five hours of closing arguments. On April 9, 2012, Judge Miller issued his ruling from the bench. The Court ordered the County and AOCDS to meet and confer regarding the impacts of the CSA classification on the wages, hours, and other terms and conditions of employment of AOCDS members working the jails. The Court found that the zipper clause in the AOCDS MOU did not allow AOCDS to declare that an issue is subject to meet and confer but then refuse to meet and confer until the contract is open for negotiations.

On June 20, 2012, the Court issued a writ of mandate in the form requested by County Counsel, over the objections of AOCDS. The writ ordered the County and AOCDS to meet and confer regarding the issue of the use of CSAs in the jails and ordered the Sheriff to file a return to the writ with the Court by July 5, 2012. County Counsel filed a writ return on July 5, 2012 detailing the Sheriff's efforts to meet and confer (AOCDS was refusing to meet and confer) and requesting that the writ be discharged because the County has complied with the writ to the fullest extent possible. AOCDS filed a notice of appeal from the court's order. Briefing on the appeal is now underway.

In the bifurcated "damages" portion of the case, on or about October 16, 2012, AOCDS filed and served a Third Amended Complaint in which it alleges a new and expanded claim for damages. AOCDS now alleges that the Sheriff violated the preliminary injunction issued by the Superior Court by continuing to station new CSAs in the jails during the pendency of the Sheriff's appeal of the injunction order (i.e., during the period when the Court of Appeal had issued a stay of the effect of the injunction). AOCDS claims that it sustained special damages and consequential damages exceeding \$2,000 as a result of the Sheriff's "negligent and/or reckless" violation of the injunction. County Counsel will argue that no violation of the preliminary injunction occurred, inasmuch as no CSAs were placed in the jails after the Court of Appeal lifted the stay of the effect of the Superior Court's injunction on October 28, 2011. Until that date, the effect of the Superior Court's injunction had been stayed while the matter was on appeal. AOCDS is expected to argue that the Court of Appeal's lifting of the stay on the injunction somehow means that the Sheriff must undo and reverse the implementation of the CSA staffing program in the jails that occurred during the pendency of that appeal prior to October 28, 2011.

While the Sheriff denies liability and denies that any violation of the preliminary injunction occurred, it is difficult to provide any reliable estimate of the outcome of the damages portion of the case at this time. County Counsel continues to defend this case for the Sheriff.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Pollution Remediation Obligations

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," 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. The County has identified several environmental sites at John Wayne Airport (JWA) and OC Waste and Recycling (OCWR) for which a pollution remediation liability has been recorded in the County's financial statements. The following describes the nature of the obligating events, and the estimated liability as they relate to JWA and OCWR.

John Wayne Airport (JWA)

In 1988 and 2006, JWA was named as the responsible party in a cleanup and abatement order for two sites on Airport property by the California Regional Water Quality Control Board (RWQCB). The sites, the Old Fuel Farm and the Former Fire Station #33, were identified as having chemical impacts to the soil and groundwater. In 1994 and 2002, JWA began to monitor and remediate the Old Fuel Farm and the Former Fire Station #33 sites, respectively.

In 2008, the sites were sampled as part of an assessment and the results revealed that the soil and groundwater were still impacted by chemical pollutants. In an effort to increase the removal of the chemicals, JWA's environmental consultant reevaluated the sites and recommended a change to the remediation plan.

The consultant calculated the new estimated pollution remediation liability based on a more active method of remediation that includes remedial technologies such as soil vapor extraction, dual phasing sparging and bioremediation. JWA started implementing the new remediation method in the fiscal year ending June 30, 2011, and the sites are estimated to be remediated in about six to ten years. JWA is still performing tests on the sites and the results could possibly affect the estimated pollution remediation liability as well as a change to the remedial technologies used to remediate the sites. As of June 30, 2012, JWA has a liability of \$1,208 based on management's assessment and the results of the consultant's evaluation.

In 1995, JWA entered into a Memorandum of Understanding (MOU) with one of its fixed-base operator (FBO) lessees to address the remediation of the Old Fuel Farm. The FBO was identified as the operator of the site and the other responsible party. The lessee agreed to be obligated to pay 50% of the remediation costs associated with the Old Fuel Farm site. The expected pollution remediation recoveries for the Old Fuel Farm site are realizable and a receivable in the amount of \$393 is reported in the Statement of Net Assets as part of accounts receivable.

The estimated pollution remediation obligation as of June 30, 2012 is:

Old Fuel Farm Site	\$	785
Former Fire Station # 33 Site		692
Less: Year-Ending June 30, 2011 Activity		(103)
Less: Year-Ending June 30, 2012 Activity		(166)
JWA Pollution Remediation Obligation	<u>\$</u>	<u>1,208</u>

Orange County Waste & Recycling (OCWR)

Five closed sites were identified and the remediation costs and time periods were calculated for each of these sites based upon the type of remediation needed and historical trend data for closed landfill sites. The combined pollution remediation obligation ending balance for the fiscal year ending June 30, 2012, after deducting actual pollution remediation expenses incurred is \$13,102.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Pollution Remediation Obligations (Continued)

Orange County Waste & Recycling (OCWR) (Continued)

Cannery Former Refuse Disposal Station A park owned by the City of Huntington Beach (City) and an elementary school playground are located on a site that was formerly used as a refuse disposal station operated by the County from 1957 to 1969. Levels of methane gas that exceed regulatory limits were detected on the property. The Local Enforcement Agency (LEA) issued a Notice and Order to the City, requiring the City to remedy the landfill gas exceedences and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, the City and the Huntington Beach City School District (School District) issued the Notices of Intent to Sue under the Resource Conservative and Recovery Act, and the Comprehensive Environmental Response, Compensation, and Liability Act to the County in 2004. The City's and School District's claims were tolled until June 2006 under a tolling agreement with the County. The City, County and School District entered into a Settlement Agreement in 2007, whereby the City would be responsible for maintaining the cover of the former disposal site and the County would assume responsibility for the collection and control of landfill gas.

Based on engineering estimates and existing contracts for the operation and maintenance of other disposal sites of a similar size, the age of the site, the length of time that the wastes have been buried, and other factors, the County anticipates that the landfill gas collection system will operate fully for 15 years.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is \$71.

Lane Road Former Refuse Disposal Station The site located in the City of Irvine and owned by NGP Realty Sub, L.P. and others, was leased and operated by the County as a refuse disposal facility from 1961 until its closure in 1964. An investigation revealed that landfill gas is present above regulatory limits in close proximity to residential housing units. The LEA issued a Notice and Order to the property owner requiring them to remedy the landfill gas exceedences, and to control potential offsite migration of landfill gases. In response to the LEA's Notice and Order, a claim was filed with the CEO Risk Management. The County entered into a Settlement Agreement with the property owners in 2005 whereby, the County funded the construction of a landfill gas collection and control system, including a carbon treatment element, for the eastern portion of the site. After verification that the system was operating as planned, the County assumed ownership of the system and responsibility for its operation, maintenance and monitoring in 2008. Also in 2008, it was discovered that landfill gas was elevated in the northern portion of the site. Pursuant to the Settlement Agreement, the County designed and constructed an upgrade and enhancement to the existing landfill gas system to control landfill gas migration on the northern portion of the site.

Based on engineering estimates and existing contracts for the operation and maintenance of other similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 25 years, then will most likely either be inactive or be converted to a passive system. The cost for the operation, maintenance and monitoring of the system was highest in the full first year of operation when the carbon canisters needed more regular replacement. For each subsequent year of operation, the cost will be reduced due to less frequent carbon swapping and less anticipated alternative monitoring requirements. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$284.

The anticipated costs to operate, maintain and monitor the landfill gas collection system over the remaining anticipated operational period is reduced to \$3,579.

San Joaquin Former Refuse Disposal Station The site, owned by the University of California at Irvine, was leased and operated by the County as a refuse disposal facility from 1954 to 1961. In 1996, a portion of the site was sold to the Food and Drug Administration. Levels of methane gas that exceed regulatory limits were detected on the property. As both parties expressed an interest in avoiding costly litigation, the County entered into negotiations to cooperatively address site concerns, resulting in a Cooperative Agreement with the University that was approved by the Board in May 2005. Pursuant to the Cooperative Agreement, the County constructed a landfill gas collection and control system, including a carbon treatment element.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Pollution Remediation Obligations (Continued)

Orange County Waste & Recycling (OCWR) (Continued)

San Joaquin Former Refuse Disposal Station (Continued)

The County retains responsibility for the operation, maintenance, and monitoring of that system. Based on engineering estimates and existing contracts for the operation and maintenance of similar disposal sites, the County anticipates that the landfill gas collection system will operate fully for 15 years. The cost to operate and maintain the landfill gas collection system at the site for the next year of operation is \$167.

The remaining obligation for landfill gas remediation at the San Joaquin site over the anticipated operational period is \$1,869.

La Veta Former Refuse Disposal Station Located in the City of Orange, La Veta is a former burn, dump and refuse disposal station leased to and operated by the County from 1946 to 1956. The site has multiple owners and was developed into a YMCA facility, apartments, a mobile home park, and a small amount of open space. Recently, the County learned that the Californian Department of Toxic Substances Control (DTSC) and the United States Environmental Protection Agency previously performed limited soil and groundwater testing at the site. According to DTSC, the results of these tests indicate that further site assessment is warranted. DTSC has requested that the County enter into a Voluntary Cleanup Agreement with DTSC. In lieu of entering into a Voluntary Cleanup Agreement, the County is conducting a series of additional site investigations and assessments. Upon completion of these site assessments and based on the results contained therein, it is possible that DTSC will renew its request for a Voluntary Cleanup Agreement. The County is currently performing a complete environmental assessment of the site. The remaining cost for performing the site assessment work is \$83.

It is possible that the County will incur additional costs as a result of the site conditions. However, at this time, those additional costs cannot be measured because the County is still conducting the site assessment. The costs could be significant.

Forster Former Refuse Disposal Station The site, located in the City of San Juan Capistrano, was formerly leased and operated as a refuse disposal station by the County of Orange from 1958 to 1976. The current owner, Advanced Group 99-SJ, is proposing a change in land use for the property and has notified the County of its position that the County is responsible for re-closure of the site to meet current commercial and redevelopment requirements. The County disputes responsibility for site development related costs. In early 2010, the City of San Juan Capistrano approved the proposed project and certified the Environmental Impact Report (EIR). The EIR was a subject of a citizen's referendum that ultimately resulted in affirmation of the proposed project. Subsequent to the City approval of the proposed development plan, Advanced Group 99-SJ and the County entered into negotiations to resolve issues related to environmental responsibility at the site. These negotiations resulted in a settlement agreement and release of claims, brought about by a threat of litigation over the CEQA approvals. The settlement and release will permit the development of the site, with monies paid by the County for environmental controls to be installed at the site, an operation and maintenance fund and for environmental insurance, subject to conditions such as obtaining grading permits for the site for its actual development. In exchange, indemnification and environmental releases were provided by the developer to the County.

Total obligation by the County for environmental infrastructure and controls at the site as agreed upon in the Settlement Agreement is \$7,500. The entire sum is expected to be released within a five year period, but is dependent upon actions by the owner and regulatory approvals for the project. The County will continue to incur additional costs for work related to the County's current obligation to monitor the groundwater underlying the site. This responsibility will be transferred to the site owner upon completion of one of the settlement agreement milestones, but due to the uncertainty of specific timing, the County is unable to fully estimate the remaining ground water obligations.

The remaining balance for landfill gas remediation at the Forster site is \$7,500. Distribution of these funds will occur over time, based on specific milestones in the development of the site.

17. ESTIMATED LIABILITY FOR LITIGATION, CLAIMS, AND POLLUTION REMEDIATION (Continued)

Estimated Pollution Remediation Obligations (Continued)

Orange County Waste & Recycling (OCWR) (Continued)

The estimated pollution remediation obligation as of June 30, 2012 is:

Cannery	\$ 71
Lane Road	3,579
San Joaquin	1,869
La Veta	83
Forster	7,500
OCWR Pollution Remediation Obligation	<u>\$ 13,102</u>

18. 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 members and one alternate. Four OCERS Board members are appointed by the County Board of Supervisors (the Board), three members plus one alternate are elected from active County employees, one member is elected from retirees, and the County Treasurer-Tax Collector is a statutory member.

The OCERS Board supervises the investment of OCERS assets and the distribution of benefits to retired employees. The OCERS Board also determines the annual contributions required of the County and other participating local governmental entities to fund OCERS. Such annual contributions consist primarily of two components: the so-called "normal cost" contribution and the amortized portion of the "unfunded actuarial accrued liability" (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 for each year ending December 31. The most recent report 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, 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, 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, Transportation Corridor Agencies, University of California, Irvine Medical Center and Campus (closed to new members). The County payments represent approximately 83% of the total plan sponsor payments into OCERS. According to the most recent actuarial report, OCERS was 67.0% funded as of December 31, 2011. A schedule of funding progress for OCERS is included in Required Supplemental Information (RSI) section.

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

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

Non-vested Supplemental Targeted Additional Retiree Cost of Living Adjustment (STAR COLA) benefits are also paid by OCERS to eligible retirees and survivors. Pursuant to Government Code Section 31874.3 of the County Employees Retirement Law of 1937, the OCERS Board has the sole authority to grant STAR COLA each year. The OCERS Board understands that granting STAR COLA may increase the UAAL and therefore asks for comments from plan sponsors prior to voting on this issue. Retirees who have lost more than 20% of their purchasing power since retirement are eligible for this benefit, and currently, approximately 643 retirees (of which 628 are County retirees) who retired before April 1, 1981, and their survivors receive the STAR COLA. The STAR COLA benefits are excluded from the actuarial valuation, and are funded annually through current employer contributions.

Funding Policy: In accordance with various Board's 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. The California Supreme Court's 1997 Ventura decision stated that, for the purpose of calculating pension benefits, "final compensation" means 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's responsibility is to make certain the total required contribution is paid, regardless of how the employers and employees share the cost. For FY 2011-12, employer's contributions, as a percentage of covered payrolls, were 27.11% for General members, 46.39% for Safety-Law Enforcement members and 34.07% for Safety-Probation members, as determined by the December 31, 2009, actuarial valuation.

Effective June 28, 2002, Safety member's, including Probation Services employees, rate of contribution was modified to provide an annuity equal to 3% of the member's "final compensation" for each year of service rendered at age 50. Law enforcement management, executives in the Sheriff and District Attorney Departments and employees represented by the Association of Orange County Deputy Sheriffs hired after April 9, 2010, will receive retirement benefits based on a 3% at age 55 retirement 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 to pay the costs of the difference between retirement benefits at the prior formulas and the new 2.7% at age 55 formula and also for the annual amortization of the unfunded liability created by the retroactive application of the increased benefit. New employees hired after May 7, 2010, have the option of selecting either 2.7% at age 55 or 1.62% at age 65. The 1.62% at age 65 option includes a voluntary defined contribution component (see section below) with an employer match. This option is available to employees represented by the Orange County Employees Association, Alliance of Orange County Workers, the International Union of Operating Engineers and non-represented employees such as Executive Management. Members of the American Federation of State, County and Municipal Employees (AFSCME), which represents approximately 1,081 employees, did not elect

18. RETIREMENT PLANS (Continued)

Orange County Employees Retirement System (OCERS) (Continued)

Funding Policy (Continued)

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.

In September 1994, the County issued \$320,000 of pension obligation bonds, of which \$318,000 in proceeds were paid to OCERS. 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, 2012, \$96,604 of such proceeds remains available for future credits to the County's pension obligations. For the fiscal year ended June 30, 2012, the County utilized \$11,000 of the County Investment Account to meet its Annual Required Contribution. The County's total contribution to OCERS, including drawdown from the County Investment Account for the years ending June 30, 2012, 2011, and 2010 were \$321,736, \$307,084 and \$290,574 respectively, equal to the required contributions for each year.

On January 18, 2012, the County issued its short-term Taxable Pension Obligation Bonds, 2012 Series A in the amount of \$229,880. The Bond proceeds were combined with \$16,763 in contributions from certain County agencies and departments to prepay the estimated FY 2012-13 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 or \$20,122 on the required employer contribution amount. The discount, combined with the interest and issuance costs, resulted in a net savings of \$17,968 to the County. Refer to Note 4, Deposits and Investments, and Note 10, Short-term Obligation, for additional information.

County Administered Pension Plans

County of Orange - 1.62 at 65 Retirement, 401(a) Defined Contribution Plan

Plan Description: On April 20, 2010, the Board approved and adopted the resolution implementing the 1.62% at 65 retirement formula for certain eligible employees. Effective March 22, 2011, as amended and restated on July 1, 2011, the Board approved the County of Orange 1.62% at 65 Retirement, 401(a) Defined Contribution Plan for the benefit of employees who have elected the 1.62% at 65 retirement formula. The Board has the authority to amend the plan. The plan is intended to comply with the requirements of Internal Revenue Code (IRC) Section 401(a) and is intended for retirement. The employee acquires a vested interest in the employer contribution account upon attaining normal retirement age, or early retirement age because of death or disability. If an employee terminates prior to early or normal retirement date for any other reason than death or disability, the employee is only entitled to a vested interest of 100% of the employer contribution after five years of service.

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 early or normal retirement date will be dependent upon the accumulated value of individual contributions and investment return. As of June 30, 2012, the plan had 10 participants.

Funding Policy: This plan is a defined contribution plan funded entirely by employer contributions. As of June 30, 2012, the County provides up to a 100% match per pay period of the employee's voluntary contribution to the IRC Section 457 element of the 1.62% Defined Contribution Plan up to 2% of base salary. Total contributions for the year ended June 30, 2012, were \$6 by the County and zero by the employees.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

County of Orange - 1.62 at 65 Retirement, 401(a) Defined Contribution Plan (Continued)

Funding Policy (Continued)

Teachers Insurance and Annuity Association of America (TIAA) serves on behalf of the County as the third party administrator of the plan and will hold all plan assets in trust. Plan participants will self-direct the investment of plan contributions into any of a number of eligible investment options offered under the plan. As of June 30, 2012, the value of plan assets was \$6.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to the participants. The investment management fees charged for the 401(a) funds managed by TIAA will be deducted from the earnings each quarter.

County of Orange 401(a) Defined Contribution Plan

Plan Description: Effective January 1999, as amended and restated on July 1, 2011, the Board established the County of Orange 401(a) Plan for the benefit of eligible employees, elected officials, which includes members of the Board, 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 Board also has the authority to amend the plan. 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, 2012, the plan has 693 active participants and 26 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 elected officials electing not to participate in OCERS. Total contributions for the year ended June 30, 2012, were \$1,017 by the County and zero by the employees. Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and 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, 2012, the value of plan assets was \$10,873.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to the participants. The investment management fees for the 401(a) funds managed by Great West Retirement Services are deducted from the earnings each quarter.

Extra-Help Defined Benefit Plan

Plan Description: The plan is a single-employer defined benefit retirement plan for employees performing services based on less than half-time or as extra-help. Eligible employees of this plan are not covered by OCERS or Social Security. Initially, the normal retirement benefits for a participant who retired on or after the normal retirement date was 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 current normal retirement benefit for a participant who retires on or after the normal retirement date is the present value (or lump sum value) of the monthly annuity of the normal retirement benefit. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65th birthday. The plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. The Board has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Plan Description (Continued)

The plan was adopted in January 1992 and was closed to new participants as of February 28, 2002. This plan subsequently froze benefit accruals effective November 21, 2008. As of that date, the normal retirement benefit was changed to a single lump sum distribution equal to the greater of the participant's account balance or the present value of their normal retirement benefit. As of June 30, 2012, the plan consists of 57 active plan participants, 242 terminated plan participants entitled to but not yet receiving benefits, and 36 retirees receiving benefits.

The plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized in the period in which contributions are due, pursuant to the plan documentation and as may be required by statutory requirements. The benefits paid to participants and refunds of prior contributions are recognized when due and payable, in accordance with the terms of the plan.

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 4. The plan has not issued separate stand-alone financial statements.

Funding Policy: 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 \$2,753. 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)

Plan participants do not contribute to the fund effective November 21, 2008 (the date of the freeze). Note that effective November 21, 2008, the normal cost is \$0 due to the plan freeze.

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. This valuation is currently performed annually. The plan's annual pension cost was calculated using the data and assets as of June 30, 2012. 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 using the projected unit credit actuarial cost method, which is (a) normal cost, (b) minus employee contribution, (c) plus 30-year amortization of the UAAL. Based on the actuarial report dated July 1, 2012, interest on the net pension obligation is \$26.

For the fiscal year ended June 30, 2012, the County's annual required contribution was \$239. The actuarial assumptions included (a) 4.0% investment return, net of administrative expenses: (b) The 417(e) lump sum mortality used for ERISA-governed plans and the 30-year Treasury rate with a look-back month of November: and (c) RP2000 Mortality Tables projected to 2018 with no collar distinction for males and females. This plan does not have an inflation rate, projected salary increase or post-retirement benefit increase assumptions, as these factors do not impact the benefits of this frozen plan. The UAAL is being amortized as a level dollar on an open basis. The amortization period is 30 years. Multi-year trend information about the funding progress is presented in the RSI section following the notes to the basic financial statements.

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Benefit Plan (Continued)

Annual Pension Cost (Continued)

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

Plan Year Ending	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (c = b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	UAAL as a Percentage of Covered Payroll (c/d)
6/30/2012	\$ 4,033	\$ 8,330	\$ 4,297	48.4%	\$ 2,010	213.8%

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

Actuarially Determined Contribution (A)	\$ 239
Interest on Net Pension Obligation	26
Adjustment to (A)	<u>(36)</u>
Annual Pension Cost	229
Contributions Made	<u>928</u>
Increase/(Decrease) in Net Pension Obligation	(699)
Net Pension Obligation, Beginning of Year	<u>639</u>
Net Pension Obligation/(Asset), End of Year	<u><u>\$ (60)</u></u>

The table below shows the County's annual pension costs, the percentages contributed, and the net pension obligations for the current fiscal year and each of the two prior fiscal years.

**Orange County Defined Benefit Plan
Schedule of Employer Contributions**

Fiscal Year Ended	County Contribution	Total Annual Pension Cost	Percentage Contributed	Net Pension Obligation/(Asset)
6/30/2010	\$ 157	\$ 151	104%	\$ 647
6/30/2011	232	224	104%	639
6/30/2012	928	229	405%	(60)

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Extra-Help Defined Contribution Plan

Plan Description: Effective March 1, 2002, as amended and restated on July 1, 2011, the Board established the Extra-Help Defined Contribution Plan to replace the Extra Help Defined Benefit Retirement Plan for new employees hired on or after March 1, 2002, and supplements the benefits of the Extra-Help Defined Benefit Retirement Plan for employees hired prior to March 1, 2002. Eligible employees of this plan are not covered by OCERS or Social Security. This plan is a tax-deferred retirement plan, established in accordance with IRC Sections 457 and 3121, is intended to comply with the Omnibus Budget Reconciliation Act of 1990, and meets the requirements to be a Social Security replacement plan. The Board has the authority to amend the plan. As of June 30, 2012, there were 3,143 active participants and 277 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 Section 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 Great West Retirement Services, which is designed to protect principal and maximize earnings. Great West Retirement Services serves on behalf of the County as the third party administrator of the plan and holds all plan assets in trust. There is no additional contribution made by the County. Total employee contributions for the year ended June 30, 2012, were \$1,139 by the employees and zero by the County. As of June 30, 2012, the value of plan assets was \$5,951.

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

18. RETIREMENT PLANS (Continued)

County Administered Pension Plans (Continued)

Condensed Financial Statements

In lieu of separately issued financial statements for the County administered retirement funds, condensed financial statements are presented below as of and for the year ended June 30, 2012:

Statement of Net Assets

	<u>Total</u>	<u>Extra-Help Defined Benefit Plan</u>	<u>Extra-Help Defined Contribution Plan</u>	<u>401(a) Defined Contribution Plan</u>	<u>1.62% at 65 Retirement, 401(a) Defined Contribution Plan</u>
<u>Assets</u>					
Pooled Cash/Investments	\$ 4,483	\$ 4,483	\$ -	\$ -	\$ -
Restricted Cash/Investments with Trustee	16,830	-	5,951	10,873	6
Receivables:					
Interest/Dividends	8	8	-	-	-
Total Assets Held in Trust	<u>21,321</u>	<u>4,491</u>	<u>5,951</u>	<u>10,873</u>	<u>6</u>
<u>Liabilities</u>					
Accounts Payable	18	18	-	-	-
Total Liabilities	<u>18</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Assets</u>					
Held in Trust	21,303	4,473	5,951	10,873	6
Total Net Assets Held in Trust	<u>\$ 21,303</u>	<u>\$ 4,473</u>	<u>\$ 5,951</u>	<u>\$ 10,873</u>	<u>\$ 6</u>

Statements of Changes in Net Assets

	<u>Total</u>	<u>Extra-Help Defined Benefit Plan</u>	<u>Extra-Help Defined Contribution Plan</u>	<u>401(a) Defined Contribution Plan</u>	<u>1.62% at 65 Retirement, 401(a) Defined Contribution Plan</u>
Additions:					
Contributions to Pension Trust:					
Employer	\$ 1,312	\$ 289	\$ -	\$ 1,017	6
Employee	1,139	-	1,139	-	-
Other Revenues	6	6	-	-	-
Interest and Investment Income	467	20	196	251	-
Less: Investment Expense	(3)	(3)	-	-	-
Total Additions	<u>2,921</u>	<u>312</u>	<u>1,335</u>	<u>1,268</u>	<u>6</u>
Deductions:					
Benefits Paid to Participants	1,653	519	505	629	-
Total Deductions	<u>1,653</u>	<u>519</u>	<u>505</u>	<u>629</u>	<u>-</u>
Change in Net Assets Held in Trust for Employees' Retirement	1,268	(207)	830	639	6
Net Assets Held in Trust at July 1, 2011	20,035	4,680	5,121	10,234	-
Net Assets Held in Trust at June 30, 2012	<u>\$ 21,303</u>	<u>\$ 4,473</u>	<u>\$ 5,951</u>	<u>\$ 10,873</u>	<u>6</u>

19. POSTEMPLOYMENT HEALTH CARE BENEFITS

County of Orange Retiree Medical Plan

Plan Description: The County of Orange Third Amended Retiree Medical Plan (the Retiree Medical Plan) is a single employer defined benefit Other Postemployment Benefit (OPEB) plan, intended to assist career employees in maintaining health insurance coverage following retirement from County service. The Retiree Medical Plan was established by the Board. The Board is also the authority for amending the Retiree Medical Plan. 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 2011 was \$18.77 (absolute dollars) per year of County service, and the maximum base monthly Grant was \$469.25 (absolute dollars). The base number for calendar year 2012 is \$19.33 (absolute dollars) per year of County service, and the maximum monthly Grant is \$483.25 (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 and/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 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.

Employees represented by the American Federation of State, County and Municipal Employees (AFSCME) who retired before September 30, 2005 are not subject to the Medicare reduction or age adjustment to the Grant. The base number for these retirees is adjusted annually with a maximum increase/decrease of 5%. AFSCME employees who were employed on or after September 30, 2005 are not eligible for the Grant or the lump sum payment. They may participate in the County-offered health plans at their own cost if they meet the minimum plan requirements.

Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant and lump sum calculations for employees represented by AOCDS who were hired before October 12, 2007 were frozen. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

Plan Description (Continued)

Law enforcement management employees who were hired on or after June 19, 2009 are not eligible for the Grant or lump sum payment. Service hour accruals for the Grant calculations for law enforcement management employees who were hired before June 19, 2009 were frozen. The qualifying hours of service for calculation of the lump sum payment for law enforcement management employees were frozen as of June 23, 2006. A Defined Contribution Plan (Health Reimbursement Arrangement) was established to replace the Grant for new employees, and to supplement the frozen grants for current employees.

Effective January 1, 2008, health insurance premium rates were separately pooled for the active and retired employees, except for employees represented by the AOCDS. Effective July 1, 2008, retiree health insurance premium rates for retired employees enrolled in the AOCDS health plans have been 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 Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and act as Trustee for benefits paid through the Retiree Medical Trust (except for the lump sum payment). OCERS issues a Comprehensive Annual Financial Report (CAFR) for each fiscal year ending on December 31, which includes the Retiree Medical Trust. The CAFR can be obtained online at www.ocers.org by request, in writing, to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701, or by calling (714) 558-6200.

The County is currently setting aside contributions of 0.5% for AFSCME, 4.2% for AOCDS, 6.9% for law enforcement management, 2.6% for the Probation Department safety personnel and 2.6% of payroll for all other labor groups, which is the estimated ARC for those groups. The County intends to continue contributing 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 throughout each fiscal year. The costs to administer the Trust are paid from the Trust.

Actuarial Methods and Assumptions: The County contracts with an outside actuarial consultant, Bartel Associates, LLC (Bartel) to prepare a bi-annual actuarial valuation in conformance with GASB Statements No. 43 and 45. The County received a June 30, 2011 valuation for fiscal years 2011-12 and 2012-13 for the Retiree Medical Plan (the Report). Among the actuarial methods and assumptions used in the Report are:

- The entry age normal actuarial cost method
- Closed period amortization of the UAAL over 30 years as a level percentage of payroll (25 years remaining as of June 30, 2012)
- A 7.25% long-term expected rate of return on funds held in the Trust
- A 3.75% per annum payroll increase assumption
- A 3.5% per annum general inflation rate assumption
- The assumed annual increases in the monthly grant of 3% for non-AFSCME employees and 5% for AFSCME employees. The healthcare trend was assumed to be greater than or equal to the annual increase to the Grant through 2021 and beyond. Therefore, it is the Grant annual increase rather than the healthcare trend that affects the projected benefits and the UAAL.
- There are an estimated 25,351 participants in the plan of which 17,928 are employees, 27 are deferred retirees, and 7,396 are retirees.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Retiree Medical Plan (Continued)

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 30 years. Also, the County elected to compute the Net OPEB Obligation (NOO) at transition retroactively. The following table shows the components of the County's annual OPEB cost, the amount actually contributed to the 115 and 401(h) Trusts, and changes in the County's NOO for the current year:

	<u>FY 2011-12</u>
Total Annual Required Contribution	\$ 41,169
Interest on Net OPEB Obligation	(3,017)
Amortization on Net OPEB Obligation	<u>2,688</u>
Annual OPEB Cost	40,840
Contribution Made	<u>(35,197)</u>
Increase/(Decrease) in Net OPEB Obligation	5,643
Net OPEB Obligation/(Asset), Beginning of year	<u>(41,609)</u>
Net OPEB Obligation/(Asset), End of year	<u>\$ (35,966)</u>

The County's annual OPEB Cost, the percentage of annual OPEB cost contribution to the plan, and the NOO for FY 2011-12 and two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/(Asset)</u>
6/30/2010	\$ 34,528	60%*	\$ (43,580)
6/30/2011	35,848	95%	(41,609)
6/30/2012	40,840	86%	(35,966)

* The percentage of Annual OPEB Cost Contributed for FY 2009-10 includes \$11,377 adjustment to contribution made.

Funded Status and Funding Progress: The funded status of the OPEB Plan as of June 30, 2011 is as follows:

Actuarial Accrued Liability (AAL)	\$ 528,639
Actuarial Value of Plan Assets	<u>116,804</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 411,835</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	22.1%
Covered Payroll	<u>1,227,601</u>
UAAL as Percentage of Covered Payroll	<u>33.5%</u>

The above noted actuarial accrued liability was based on the June 30, 2011 actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each 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. Current estimates of the funded status and trend information about the funding progress and the employer contributions are presented in the Required Supplemental Information following the notes to the basic financial statements.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

County of Orange Health Reimbursement Arrangement (HRA)

Plan Description: On October 23, 2007, the Board approved and adopted a Memorandum of Understanding (MOU) agreement with the 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 current employees' frozen service hour accruals for the Grant.

On June 17, 2008, the Board 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.

On March 10, 2009, the Board approved the restructuring of the Retiree Medical Benefit and establishment of a Defined Contribution Plan (Health Reimbursement Arrangement) for law enforcement management employees effective June 19, 2009. The HRA replaces the Retiree Medical Plan for new employees, and supplements the current law enforcement management employees' frozen service hour accruals for the Grant.

The HRA is intended to comply with the requirements of Internal Revenue Code (IRC) Sections 105 and 106, 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 IRC Section 105(b). The HRA may be amended by the employer or the plan administrator to comply with federal, state, or local laws, statutes, regulations, or guidelines. Reimbursement of qualified medical expenses was deferred until the selection and implementation of the third party administrator. Administration of the HRA by the third party administrator began in August 2009. As of June 30, 2012, the plan had 2,012 active and 294 inactive participants.

Funding Policy: Employer and mandatory employee contributions were effective October 12, 2007 for employees represented by AOCDS and were effective June 19, 2009 for law enforcement management employees. All contributions to the HRA are deemed to be employer contributions whether made directly by the employer or as a mandatory employee contribution. Employee contributions for employees represented by AOCDS are mandatory pursuant to the MOU and mandatory pursuant to Board action for law enforcement management employees. For employees represented by AOCDS, the County contributes 3.0% of compensation each pay period. Employees represented by AOCDS are required to contribute 2.0% of compensation each pay period. For law enforcement management employees, the County contributes 1.0% of compensation each pay period. Law enforcement management employees in the HRA are required to contribute 1.0% of compensation each pay period.

ICMA Retirement Corporation serves on behalf of the County as the third party administrator of the HRA and holds HRA assets in trust. HRA participants self-direct the investment of plan contributions into any of a number of eligible investment options offered under the HRA. As of June 30, 2012, the value of HRA assets was \$37,583.

Administrative Cost: There are no separate recordkeeping or administrative fees charged to participants. The management fees for the funds managed by ICMA are deducted from the participants' earnings each quarter.

19. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Condensed Financial Statements:

Separate GAAP-basis reports are not currently available for the defined benefit and contribution plans. 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, 2012:

<u>Statements of Net Assets</u>	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
<u>Assets</u>			
Pooled Cash/Investments	\$ 21,691	\$ 21,647	\$ 44
Restricted Cash and Investments with Trustee	37,206		37,206
Restricted Cash with OCERS	99,886	99,886	-
Interest Receivable	51	51	-
Due from Other Governmental Agencies	2,147	1,814	333
Total Asset Held in Trust	<u>160,981</u>	<u>123,398</u>	<u>37,583</u>
<u>Liabilities</u>			
Due to Other Governmental Agencies	2	2	-
Total Liabilities	<u>2</u>	<u>2</u>	<u>-</u>
<u>Net Assets</u>			
Held in Trust	160,979	123,396	37,583
Total Net Assets Held in Trust	<u>\$ 160,979</u>	<u>\$ 123,396</u>	<u>\$ 37,583</u>

<u>Statements of Changes in Net Assets</u>	Total	Retiree Medical Plan (Combined 401(h) and 115 Trusts)	Health Reimbursement Arrangement Plan
Additions:			
Employer Contributions:	\$ 43,159	\$ 35,197	\$ 7,962
Other Revenues	7	6	1
Interest and Investment Income	303	137	166
Less: Investment Expense	(56)	(56)	-
Total Additions	<u>43,413</u>	<u>35,284</u>	<u>8,129</u>
Deductions:			
Benefits Paid to Participants	27,405	26,882	523
Total Deductions	<u>27,405</u>	<u>26,882</u>	<u>523</u>
Change in Net Assets Held in Trust	<u>16,008</u>	<u>8,402</u>	<u>7,606</u>
Net Assets Held in Trust at July 1, 2011	144,971	114,994	29,977
Net Assets Held in Trust at June 30, 2012	<u>\$ 160,979</u>	<u>\$ 123,396</u>	<u>\$ 37,583</u>

20. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2012:

Teeter Plan Obligation Commercial Paper Program Notes Series A: On July 17, 2012, the County redeemed \$69,000 of its \$118,764 Teeter Plan Obligation Commercial Paper Notes Series A (the "CP") outstanding at June 30, 2012. The remaining CP outstanding after redemption was \$49,764. Also, on July 17, 2012 the County issued an additional \$54,209 in CP for a new outstanding balance of \$103,973. The additional CP issued financed the purchase of delinquent property tax receivables associated with the Teeter Plan. Proceeds of this issuance paid the participating agencies in the Teeter Plan the full amount of their taxes from the secured property tax roll.

Calculation of Property Tax Administrative Fee (PTAF) Litigation: Revenue & Taxation Code Section 95.3 provides for the recovery of the net costs of administering property tax. The code section allows for counties to charge for assessing, collecting, and disbursing property taxes - the property tax administrative fee (PTAF). That same section also governs the allocation of the net administrative cost to each tax receiving jurisdiction by the amount of property tax it is to receive.

In FY 2004-05, two budgetary measures were enacted by the state. These were known as Triple Flip and VLF Swap. Triple Flip is a temporary exchange of a portion of local sales tax (that was diverted to the state to pay its Economic Recovery Bonds) with property tax. VLF Swap is a permanent exchange of vehicle license fees for property tax. Both resulted in an increase in the amount of property taxes allocated to cities and to counties. Starting in fiscal year 2006-07, these revenues were included in the calculation of PTAF, effectively increasing each city's and each county's proportional share of PTAF.

In 2008, the city of Alhambra (along with 47 cities within the county) brought suit against the county of Los Angeles challenging the inclusion of the Triple Flip and VLF Swap in the calculation of PTAF. Following the trial, a referee ruled in favor of Los Angeles County. The cities appealed that decision and the appellate court reversed the prior decision. Los Angeles County then requested and was granted review by the California Supreme Court.

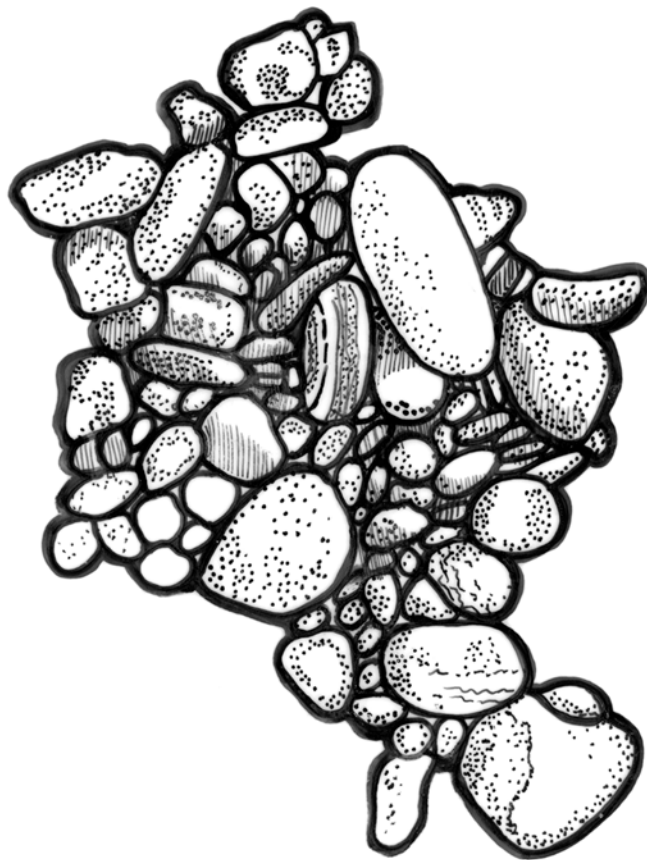
On November 19, 2012, the California Supreme Court agreed with the cities' position, ruling that Triple Flip and VLF Swap property tax revenues should not have been included in the calculation of PTAF. On December 4, 2012, the Court extended the time for it to consider a petition for rehearing that was filed by Los Angeles County to February 15, 2012. If the Court ultimately grants the petition, the decision will be vacated. The decision will not become final until February 15, 2013, unless the Court decides the petition prior to that date.

If the California Supreme Court's decision remains unchanged, Orange County will be precluded from including Triple Flip and VLF Swap revenues in its calculation of the PTAF it charges cities, resulting in reduced PTAF revenues from fiscal year 2012-13 and beyond. In addition, cities may seek recovery of the portion of PTAF pertaining to the inclusion of the Triple Flip and VLF Swap the County collected from fiscal year 2006-07 through 2011-12. The total collected for those years is estimated at close to \$15,000.

Reduction in OCERS Assumed Investment Rate of Return: On December 5, 2012, the OCERS Board voted to reduce the assumed investment rate of return from 7.75% to 7.25%. The reduction will be phased in over a two-year period beginning July 2014 at 7.5% and further reducing to 7.25% effective July 2015. The assumed rate of return reduction will have the impact of increasing contribution rates of members and plan sponsors. For more information regarding the County's retirement system see Note 18, Retirement Plans.

Taxable Pension Obligation Bonds, 2013 Series A: On December 18, 2012, the Board of Supervisors authorized the issuance of the Taxable Pension Obligation Bonds, 2013, Series A (the "2013 POBs") in the principal amount not to exceed \$270,000. The 2013 POBs will be issued to prepay the County's FY 2013-14 pension obligation. The 2013 POBs will be issued as standard bonds, with four or five fixed rate tranches, maturing no later than June 30, 2013. The obligation of the County to pay principal and interest on the 2013 POBs will be imposed by law and is absolute and unconditional. The 2013 POBs are anticipated to be issued on January 14, 2013.





Orange County Employers' Retirement System (OCERS)

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)
2006	6,466,085	8,765,045	2,298,960	73.8%	1,322,952	173.8%
2007	7,288,900	9,838,686	2,549,786	74.1%	1,457,159	175.0%
2008	7,748,380	10,860,715	3,112,335	71.3%	1,569,764	198.3%
2009	8,154,687	11,858,578	3,703,891	68.8%	1,618,491	228.8%
2010	8,672,592	12,425,873	3,753,281 (1)	69.8%	1,579,239	237.7%
2011	9,064,355	13,522,978	4,458,623	67.0%	1,619,474	275.3%

(1) The UAAL attributable to the County is \$3,121,082.

Note: The 12/31/06, 12/31/07, 12/31/08, 12/31/09, 12/31/10 and 12/31/11 actuarial value of assets exclude \$168,224, \$174,348, \$126,688, \$108,324, \$108,532 and \$97,767 of the County Investment Account balances respectively.

Source: 1. Segal's Actuarial Valuation and Review Report as of December 31, 2011
 2. OCERS Monthly Report for the County Investment Account

Schedule of County Contributions

Fiscal Year Ended	County Contribution	OCERS Investment Account Contribution	Total Annual Required Contribution	Percentage Contributed
6/30/2010	279,574	11,000	290,574	100%
6/30/2011	296,084	11,000	307,084	100%
6/30/2012	310,736	11,000	321,736	100%

Orange County Extra-Help Defined Benefits Plan

Schedule of Funding Progress
 for Years Ended December 31

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	4,612	7,222	2,610	63.9%	5,318	49.1%
2008	5,051	7,253	2,202	69.6%	4,730	46.6%
2009	5,242	7,599	2,357	69.0%	3,445	68.4%
2010	4,923	7,091	2,168	69.4%	2,682	80.8%
2011	4,566	8,315	3,749	54.9%	1,862	201.3%
2012	4,033	8,330	4,297	48.4%	2,010	213.8%

Orange County Extra-Help Defined Benefits Plan (Continued)

Schedule of Employer Contributions

Fiscal Year Ended	Total Annual Required Contribution	Percentage Contributed	Net Pension Obligation/(Asset)
6/30/2007	285	126%	668
6/30/2008	225	100%	660
6/30/2009	242	100%	652
6/30/2010	156	100%	647
6/30/2011	232	100%	639
6/30/2012	239	388%	(60)

Orange County Retiree Medical Plan

Schedule of Funding Progress

for Years Ended June 30

Actuarial Valuation as of June 30 (1)	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)
2009	94,110	456,005	361,895	20.6%	1,267,427	28.6%
2011	116,804	528,639	411,835	22.1%	1,227,601	33.5%

(1) The County's outside actuarial consultant, Bartel Associates, LLC prepares a bi-annual actuarial valuation in conformance with GASB Statement No. 43 and 45.

Notes to the Required Supplemental Information

1. Orange County Employers' Retirement System

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, 2009. 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 2009 Valuation, the aggregate employer contribution rate is 34.69%. The aggregate member employee rate, some of which are contributed by the sponsor under existing bargaining agreements, is 11.47%. The aggregate rates are for all of OCERS, and the County makes up approximately 85% of OCERS.





MAJOR GOVERNMENTAL DEBT SERVICE FUND

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

Teeter Plan Obligation Commercial Paper Program Note This fund accounts for the financing of the County's purchase of delinquent taxes receivable pursuant to the Teeter Plan. The Teeter Plan is an alternate secured property tax distribution plan, whereby, the County distributes 100% of the local secured levy to the taxing agencies participating in the Teeter Plan and in exchange receives the right to keep the delinquent taxes, penalties and interest.

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

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Budget Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Teeter Plan Obligation Commercial Paper Program Note								
Revenues								
and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 21,791	\$ --	\$ 21,791	\$ 19,265	\$ (2,526)		
Use of Money and Property		496	--	496	497	1		
Transfers In		18,501	--	18,501	--	(18,501)		
Total Revenues and Other Financing Sources		<u>40,788</u>	<u>--</u>	<u>40,788</u>	<u>19,762</u>	<u>(21,026)</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Teeter Series A Debt Service	\$ --	22,287	4,458	26,745	12,006	14,739	\$ --	\$ 14,739
Total Expenditures/Encumbrances and Other Financing Uses	<u>--</u>	<u>22,287</u>	<u>4,458</u>	<u>26,745</u>	<u>12,006</u>	<u>14,739</u>	<u>\$ --</u>	<u>\$ 14,739</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	18,501	(4,458)	14,043	7,756	<u>\$ (6,287)</u>		
Fund Balances - Beginning of Year	--	(18,501)	--	(18,501)	(14,042)			
Cancellation of Reserves/Designations	--	--	4,458	4,458	--			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (6,286)</u>			

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

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

Parking Facilities

This fund is used to account for revenues and expenditures related to parking facilities. This includes costs to lease parking spaces for County staff, costs and revenue from the Manchester and Hall of Administration lots, interest revenue, and the County's operating and maintenance costs.

Redevelopment Agency

This fund is used to account for the annual 20% tax increment set-aside to be used for low and moderate income housing. With the passage of ABX1 26, Orange County Development Agency (OCDA) was dissolved and all the remaining balances of this fund were transferred to the successor agency.

Service Areas, Lighting, Maintenance and Assessment Districts

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. Upon completion of construction, the public facilities are transferred to the Special Assessment and Community Facilities Districts. It is also used to account for local park and recreation facilities, highway lighting, and street sweeping services within unincorporated areas of the County. Revenues consist primarily of property taxes and state grants.

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.

OC Parks

This fund accounts for the development and maintenance of County tidelands and related aquatic recreational facilities, as well as the acquisition, operation and maintenance of County beaches, inland, regional park 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.

OC Dana Point Harbor

This fund is comprised of two funds. The operating fund accounts for monies received primarily through rent and concession revenues which are dedicated to providing public coastal access, environmental stewardship, and a diverse regional recreational facility so all users and visitors may experience the unique Dana Point Harbor resource in a safe and enjoyable way. The other fund is an emergency repair fund to be used only for extraordinary, non-routine repairs as required by the California Department of Boating and Waterways (DBW) loan documents. Maintaining compliance with the DBW loan documents through this emergency repair fund allows OC Dana Point Harbor to utilize low interest loans to finance the Dana Point Marina Revitalization Project.

Housing Asset

The Orange County Development Agency (OCDA) was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. The Orange County Housing Authority assumed the housing functions previously performed by OCDA. The Housing Asset Fund was established and the housing assets from the OCDA Low and Moderate Income Housing Fund were transferred into the Fund.

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.

OC Public Libraries

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 fees charged for property characteristics information that are purpose-restricted for technological and capital acquisitions and/or improvements.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

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. With the passage of ABX1 26, ODCA was dissolved and all the remaining balances of this group of funds were transferred to the successor agencies.

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.

South OC Public Financing Authority

This fund was established to account for the debt service expenditures for the South Orange County Financing Authority (SOCPFA). The SOCPFA was formed to provide for the financing of public capital improvements.

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. With the passage of ABX1 26, ODCA was dissolved and all the remaining balances of this group of funds were transferred to the successor agencies.

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, & Assessment Districts	Other Environmental Management
ASSETS					
Pooled Cash/Investments	\$ 515,929	\$ 2,140	\$ --	\$ 48,410	\$ 4,103
Imprest Cash Funds	61	--	--	--	--
Restricted Cash and Investments with Trustee	238,739	--	--	125	--
Investments	6,129	--	--	6,012	--
Deposits In-Lieu of Cash	35	--	--	--	--
Receivables					
Accounts	1,689	22	--	--	24
Taxes	2,428	--	--	13	--
Interest/Dividends	745	5	--	63	5
Deposits	30	--	--	--	--
Loans	2,083	--	--	--	--
Allowance for Uncollectible Receivables	(214)	--	--	--	--
Due from Other Funds	14,672	79	--	--	--
Due from Other Governmental Agencies	41,919	227	--	--	35
Prepaid Costs	14,496	38	--	--	--
Land and Improvements Held for Resale	145	--	--	--	--
Notes Receivable	32,249	--	--	--	1,007
Total Assets	<u>\$ 871,135</u>	<u>\$ 2,511</u>	<u>\$ --</u>	<u>\$ 54,623</u>	<u>\$ 5,174</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 9,070	\$ 163	\$ --	\$ 730	\$ --
Retainage payable	872	23	--	55	--
Salaries and Employee Benefits Payable	2,465	9	--	--	--
Deposits from Others	6,028	--	--	--	--
Due to Other Funds	28,212	83	--	106	400
Due to Component Unit	4	--	--	--	--
Due to Other Governmental Agencies	13,227	695	--	376	--
Deferred Revenue	3,819	--	--	--	1,041
Unearned Revenue	5,450	--	--	--	1
Advances from Other Funds	2,500	--	--	--	--
Total Liabilities	<u>71,647</u>	<u>973</u>	<u>--</u>	<u>1,267</u>	<u>1,442</u>
Fund Balances (Note 1)					
Nonspendable	14,677	38	--	--	--
Restricted	744,067	739	--	53,356	3,059
Assigned	40,744	761	--	--	673
Total Fund Balances	<u>799,488</u>	<u>1,538</u>	<u>--</u>	<u>53,356</u>	<u>3,732</u>
Total Liabilities and Fund Balances	<u>\$ 871,135</u>	<u>\$ 2,511</u>	<u>\$ --</u>	<u>\$ 54,623</u>	<u>\$ 5,174</u>

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
ASSETS				
\$ 11,375	\$ 48,848	\$ 102,418	\$ 53,569	Pooled Cash/Investments
--	8	--	--	Imprest Cash Funds
--	--	--	--	Restricted Cash and Investments with Trustee
--	117	--	--	Investments
--	--	--	35	Deposits In-Lieu of Cash
--	--	911	403	Receivables
--	--	1,420	--	Accounts
--	55	139	71	Taxes
--	--	30	--	Interest/Dividends
--	--	--	--	Deposits
--	--	--	2,083	Loans
--	--	--	--	Allowance for Uncollectible Receivables
--	2,200	106	42	Due from Other Funds
--	4,193	11	76	Due from Other Governmental Agencies
--	333	3,156	257	Prepaid Costs
--	145	--	--	Land and Improvements Held for Resale
--	5,868	--	--	Notes Receivable
<u>\$ 11,375</u>	<u>\$ 61,767</u>	<u>\$ 108,191</u>	<u>\$ 56,536</u>	Total Assets
LIABILITIES AND FUND BALANCES				
Liabilities				
\$ --	\$ 1,428	\$ 1,850	\$ 1,386	Accounts Payable
--	--	394	17	Retainage payable
--	99	940	79	Salaries and Employee Benefits Payable
--	11	753	3,065	Deposits from Others
5,094	5,621	1,585	425	Due to Other Funds
--	--	--	--	Due to Component Unit
--	1,932	110	134	Due to Other Governmental Agencies
--	312	328	--	Deferred Revenue
--	215	1,592	6	Unearned Revenue
--	--	--	--	Advances from Other Funds
<u>5,094</u>	<u>9,618</u>	<u>7,552</u>	<u>5,112</u>	Total Liabilities
Fund Balances (Note 1)				
--	333	3,156	257	Nonspendable
6,281	28,827	85,662	51,167	Restricted
--	22,989	11,821	--	Assigned
<u>6,281</u>	<u>52,149</u>	<u>100,639</u>	<u>51,424</u>	Total Fund Balances
<u>\$ 11,375</u>	<u>\$ 61,767</u>	<u>\$ 108,191</u>	<u>\$ 56,536</u>	Total Liabilities and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Special Revenue				
	Housing Asset	Schedule I County - Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
ASSETS					
Pooled Cash/Investments	\$ 12,236	\$ 5,976	\$ 18,584	\$ 17	\$ 168,820
Imprest Cash Funds	--	--	53	--	--
Restricted Cash and Investments with Trustee	--	--	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	18	--	--
Taxes	--	--	995	--	--
Interest/Dividends	91	8	25	--	227
Deposits	--	--	--	--	--
Loans	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	18	9,924	196
Due from Other Governmental Agencies	--	--	10	--	35,886
Prepaid Costs	--	--	3,425	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable	19,640	--	--	--	--
Total Assets	<u>\$ 31,967</u>	<u>\$ 5,984</u>	<u>\$ 23,128</u>	<u>\$ 9,941</u>	<u>\$ 205,129</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ --	\$ --	\$ 2,323	\$ --	\$ --
Retainage payable	--	--	52	--	--
Salaries and Employee Benefits Payable	--	--	1,000	--	--
Deposits from Others	--	--	2,199	--	--
Due to Other Funds	2	--	3,583	--	10,217
Due to Component Unit	--	--	--	--	4
Due to Other Governmental Agencies	--	--	217	--	1,420
Deferred Revenue	--	--	2,102	--	--
Unearned Revenue	--	--	14	--	3,622
Advances from Other Funds	--	--	--	--	--
Total Liabilities	<u>2</u>	<u>--</u>	<u>11,490</u>	<u>--</u>	<u>15,263</u>
Fund Balances (Note 1)					
Nonspendable	--	--	3,425	--	--
Restricted	31,965	5,984	8,213	9,941	185,366
Assigned	--	--	--	--	4,500
Total Fund Balances	<u>31,965</u>	<u>5,984</u>	<u>11,638</u>	<u>9,941</u>	<u>189,866</u>
Total Liabilities and Fund Balances	<u>\$ 31,967</u>	<u>\$ 5,984</u>	<u>\$ 23,128</u>	<u>\$ 9,941</u>	<u>\$ 205,129</u>

Supplemental Information
(Dollar Amounts in Thousands)

Special Revenue		Debt Service			
Orange County Housing Authority	Other Governmental Resources	Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	
\$ 12,536	\$ 1,315	\$ --	\$ --	\$ 259	ASSETS
--	--	--	--	--	Pooled Cash/Investments
1,348	--	--	3,812	186,655	Imprest Cash Funds
--	--	--	--	--	Restricted Cash and Investments with Trustee
--	--	--	--	--	Investments
286	25	--	--	--	Deposits In-Lieu of Cash
--	--	--	--	--	Receivables
15	2	--	--	--	Accounts
--	--	--	--	--	Taxes
--	--	--	--	--	Interest/Dividends
(214)	--	--	--	--	Deposits
107	--	--	--	--	Loans
907	--	--	--	--	Allowance for Uncollectible Receivables
7,250	37	--	--	--	Due from Other Funds
--	--	--	--	--	Due from Other Governmental Agencies
5,734	--	--	--	--	Prepaid Costs
<u>\$ 27,969</u>	<u>\$ 1,379</u>	<u>\$ --</u>	<u>\$ 3,812</u>	<u>\$ 186,914</u>	Land and Improvements Held for Resale
					Notes Receivable
					Total Assets
					LIABILITIES AND FUND BALANCES
\$ 585	\$ 27	\$ --	\$ --	\$ --	Liabilities
--	--	--	--	--	Accounts Payable
330	8	--	--	--	Retainage payable
--	--	--	--	--	Salaries and Employee Benefits Payable
1,055	37	--	--	1	Deposits from Others
--	--	--	--	--	Due to Other Funds
78	--	--	--	--	Due to Component Unit
19	--	--	--	--	Due to Other Governmental Agencies
--	--	--	--	--	Deferred Revenue
--	--	--	--	--	Unearned Revenue
--	--	--	--	--	Advances from Other Funds
<u>2,067</u>	<u>72</u>	<u>--</u>	<u>--</u>	<u>1</u>	Total Liabilities
7,250	37	--	--	--	Fund Balances (Note 1)
18,652	1,270	--	3,812	186,913	Nonspendable
--	--	--	--	--	Restricted
<u>25,902</u>	<u>1,307</u>	<u>--</u>	<u>3,812</u>	<u>186,913</u>	Assigned
					Total Fund Balances
<u>\$ 27,969</u>	<u>\$ 1,379</u>	<u>\$ --</u>	<u>\$ 3,812</u>	<u>\$ 186,914</u>	Total Liabilities and Fund Balances

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

	Debt Service		Capital Projects		Permanent Fund
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Redevelopment Agency	Regional Park Endowment
ASSETS					
Pooled Cash/Investments	\$ --	\$ --	\$ 25,004	\$ --	\$ 319
Imprest Cash Funds	--	--	--	--	--
Restricted Cash and Investments with Trustee	3,727	43,072	--	--	--
Investments	--	--	--	--	--
Deposits In-Lieu of Cash	--	--	--	--	--
Receivables					
Accounts	--	--	--	--	--
Taxes	--	--	--	--	--
Interest/Dividends	--	--	38	--	1
Deposits	--	--	--	--	--
Loans	--	--	--	--	--
Allowance for Uncollectible Receivables	--	--	--	--	--
Due from Other Funds	--	--	2,000	--	--
Due from Other Governmental Agencies	--	--	574	--	--
Prepaid Costs	--	--	--	--	--
Land and Improvements Held for Resale	--	--	--	--	--
Notes Receivable	--	--	--	--	--
Total Assets	\$ <u>3,727</u>	\$ <u>43,072</u>	\$ <u>27,616</u>	\$ <u>--</u>	\$ <u>320</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ --	\$ --	\$ 578	\$ --	\$ --
Retainage payable	--	--	331	--	--
Salaries and Employee Benefits Payable	--	--	--	--	--
Deposits from Others	--	--	--	--	--
Due to Other Funds	--	--	3	--	--
Due to Component Unit	--	--	--	--	--
Due to Other Governmental Agencies	--	--	8,265	--	--
Deferred Revenue	--	--	17	--	--
Unearned Revenue	--	--	--	--	--
Advances from Other Funds	--	--	2,500	--	--
Total Liabilities	--	--	11,694	--	--
Fund Balances (Note 1)					
Nondisposable	--	--	--	--	181
Restricted	3,727	43,072	15,922	--	139
Assigned	--	--	--	--	--
Total Fund Balances	<u>3,727</u>	<u>43,072</u>	<u>15,922</u>	<u>--</u>	<u>320</u>
Total Liabilities and Fund Balances	\$ <u>3,727</u>	\$ <u>43,072</u>	\$ <u>27,616</u>	\$ <u>--</u>	\$ <u>320</u>



County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

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, & Assessment Districts	Other Environmental Management
Revenues					
Taxes	\$ 106,479	\$ --	\$ 3,331	\$ 486	\$ --
Licenses, Permits, and Franchises	974	--	--	--	--
Fines, Forfeitures and Penalties	20,357	--	--	--	6
Use of Money and Property	68,719	7,216	105	252	281
Intergovernmental	267,128	599	--	4	823
Charges for Services	13,105	267	--	22	61
Other	34,337	24	72	109	144
Total Revenues	511,099	8,106	3,508	873	1,315
Expenditures					
Current					
General Government	25,810	--	--	8,327	144
Public Protection	8,285	--	--	--	2
Public Ways and Facilities	7,420	6,560	--	461	399
Health and Sanitation	2,207	--	--	--	--
Public Assistance	173,583	--	347	--	--
Education	37,621	--	--	--	--
Recreation and Cultural Services	91,753	--	--	--	--
Capital Outlay	14,580	346	--	--	--
Debt Service					
Principal Retirement	72,274	--	--	--	--
Interest	30,657	--	--	--	--
Total Expenditures	464,190	6,906	347	8,788	545
Excess (Deficit) of Revenues Over Expenditures	46,909	1,200	3,161	(7,915)	770
Other Financing Sources (Uses)					
Transfers In	128,442	1,400	--	3	--
Transfers Out	(237,964)	(3,989)	(30,684)	--	(178)
Premiums on Bonds Issued	2,927	--	--	--	--
Refunding Bonds Issued	34,380	--	--	--	--
Payment to Refunded Bond Escrow Agent	(40,491)	--	--	--	--
Provisions for Increase in Land Held for Resale	43	--	--	--	--
Total Other Financing Sources (Uses)	(112,663)	(2,589)	(30,684)	3	(178)
Extraordinary Loss	(113,615)	--	(20,449)	--	--
Net Change in Fund Balances	(179,369)	(1,389)	(47,972)	(7,912)	592
Fund Balances - Beginning of Year	978,857	2,927	47,972	61,268	3,140
Fund Balances - End of Year	<u>\$ 799,488</u>	<u>\$ 1,538</u>	<u>\$ --</u>	<u>\$ 53,356</u>	<u>\$ 3,732</u>

Supplemental Information
(Dollar Amounts in Thousands)

Tobacco Settlement	Community & Welfare Services	OC Parks	OC Dana Point Harbor	
\$ --	\$ --	\$ 50,536	\$ --	Revenues
--	724	240	10	Taxes
--	--	32	114	Licenses, Permits, and Franchises
64	577	10,265	22,711	Fines, Forfeitures and Penalties
--	31,640	2,317	117	Use of Money and Property
--	3,810	5,644	625	Intergovernmental
26,753	344	4,513	242	Charges for Services
26,817	37,095	73,547	23,819	Other
				Total Revenues
				Expenditures
				Current
8	--	--	--	General Government
--	--	--	--	Public Protection
--	--	--	--	Public Ways and Facilities
--	--	--	--	Health and Sanitation
--	26,438	--	--	Public Assistance
--	--	--	--	Education
--	--	72,412	19,341	Recreation and Cultural Services
--	--	3,301	12	Capital Outlay
--	--	--	--	Debt Service
--	--	--	--	Principal Retirement
--	--	--	--	Interest
8	26,438	75,713	19,353	Total Expenditures
				Excess (Deficit) of Revenues Over Expenditures
26,809	10,657	(2,166)	4,466	
				Other Financing Sources (Uses)
8	12,579	29	--	Transfers In
(25,403)	(18,443)	--	(9)	Transfers Out
--	--	--	--	Premiums on Bonds Issued
--	--	--	--	Refunding Bonds Issued
--	--	--	--	Payment to Refunded Bond Escrow Agent
--	--	--	--	Provisions for Increase in Land Held for Resale
(25,395)	(5,864)	29	(9)	Total Other Financing Sources (Uses)
				Extraordinary Loss
--	--	--	--	Net Change in Fund Balances
1,414	4,793	(2,137)	4,457	
4,867	47,356	102,776	46,967	Fund Balances - Beginning of Year
\$ 6,281	\$ 52,149	\$ 100,639	\$ 51,424	Fund Balances - End of Year

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

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

	Special Revenue				
	Housing Asset	Schedule I County- Administered Accounts	OC Public Libraries	Plan of Adjustment Available Cash	Health Care Programs
Revenues					
Taxes	\$ --	\$ --	\$ 37,162	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	16	--	12,677
Use of Money and Property	187	29	249	10	1,040
Intergovernmental	--	--	1,075	--	85,316
Charges for Services	--	--	1,118	--	1,487
Other	50	3	656	1	228
Total Revenues	237	32	40,276	11	100,748
Expenditures					
Current					
General Government	--	5	--	10,332	--
Public Protection	--	--	--	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	2,207
Public Assistance	87	--	--	--	--
Education	--	--	37,621	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	1,917	--	--
Debt Service					
Principal Retirement	--	--	--	--	--
Interest	--	--	--	--	--
Total Expenditures	87	5	39,538	10,332	2,207
Excess (Deficit) of Revenues Over Expenditures	150	27	738	(10,321)	98,541
Other Financing Sources (Uses)					
Transfers In	31,815	--	--	9,924	206
Transfers Out	--	--	(2)	--	(113,823)
Premiums on Bonds Issued	--	--	--	--	--
Refunding Bonds Issued	--	--	--	--	--
Payment to Refunded Bond Escrow Agent	--	--	--	--	--
Provisions for Increase in Land Held for Resale	--	--	--	--	--
Total Other Financing Sources (Uses)	31,815	--	(2)	9,924	(113,617)
Extraordinary Loss	--	--	--	--	--
Net Change in Fund Balances	31,965	27	736	(397)	(15,076)
Fund Balances - Beginning of Year	--	5,957	10,902	10,338	204,942
Fund Balances - End of Year	\$ 31,965	\$ 5,984	\$ 11,638	\$ 9,941	\$ 189,866

Supplemental Information
(Dollar Amounts in Thousands)

Special Revenue		Debt Service			
Orange County Housing Authority	Other Governmental Resources	Redevelopment Agency Bonds	Public Facilities Corporation Bonds, Master Lease	Pension Obligation Bonds	
\$ --	\$ --	\$ 14,964	\$ --	\$ --	Revenues
--	--	--	--	--	Taxes
--	--	--	--	--	Licenses, Permits, and Franchises
245	7	89	372	23,880	Fines, Forfeitures and Penalties
145,087	--	150	--	--	Use of Money and Property
--	71	--	--	--	Intergovernmental
436	124	100	--	--	Charges for Services
145,768	202	15,303	372	23,880	Other
					Total Revenues
					Expenditures
					Current
--	537	2,433	--	23	General Government
--	--	--	--	--	Public Protection
--	--	--	--	--	Public Ways and Facilities
--	--	--	--	--	Health and Sanitation
146,711	--	--	--	--	Public Assistance
--	--	--	--	--	Education
--	--	--	--	--	Recreation and Cultural Services
34	14	--	--	--	Capital Outlay
--	--	2,845	642	7,157	Debt Service
--	--	1,171	1,958	16,691	Principal Retirement
146,745	551	6,449	2,600	23,871	Interest
					Total Expenditures
(977)	(349)	8,854	(2,228)	9	Excess (Deficit) of Revenues Over Expenditures
					Other Financing Sources (Uses)
--	100	1,532	2,398	--	Transfers In
--	(2)	(28,217)	--	--	Transfers Out
--	--	--	--	--	Premiums on Bonds Issued
--	--	--	--	--	Refunding Bonds Issued
--	--	--	--	--	Payment to Refunded Bond Escrow Agent
--	--	--	--	--	Provisions for Increase in Land Held for Resale
--	98	(26,685)	2,398	--	Total Other Financing Sources (Uses)
					Extraordinary Loss
--	--	(45,866)	--	--	Net Change in Fund Balances
(977)	(251)	(63,697)	170	9	
26,879	1,558	63,697	3,642	186,904	Fund Balances - Beginning of Year
\$ 25,902	\$ 1,307	\$ --	\$ 3,812	\$ 186,913	Fund Balances - End of Year

County of Orange
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2012

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

	Debt Service		Capital Projects		Permanent Fund
	South OC Public Financing Authority	Orange County Public Financing Authority	Criminal Justice Facilities	Redevelopment Agency	Regional Park Endowment
Revenues					
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --
Licenses, Permits, and Franchises	--	--	--	--	--
Fines, Forfeitures and Penalties	--	--	7,512	--	--
Use of Money and Property	--	921	138	79	2
Intergovernmental	--	--	--	--	--
Charges for Services	--	--	--	--	--
Other	--	--	97	438	3
Total Revenues	--	921	7,747	517	5
Expenditures					
Current					
General Government	262	--	--	3,739	--
Public Protection	--	--	8,283	--	--
Public Ways and Facilities	--	--	--	--	--
Health and Sanitation	--	--	--	--	--
Public Assistance	--	--	--	--	--
Education	--	--	--	--	--
Recreation and Cultural Services	--	--	--	--	--
Capital Outlay	--	--	8,956	--	--
Debt Service					
Principal Retirement	--	61,630	--	--	--
Interest	--	10,837	--	--	--
Total Expenditures	262	72,467	17,239	3,739	--
Excess (Deficit) of Revenues					
Over Expenditures	(262)	(71,546)	(9,492)	(3,222)	5
Other Financing Sources (Uses)					
Transfers In	--	34,776	5,455	28,217	--
Transfers Out	--	(3,495)	(8,756)	(4,963)	--
Premiums on Bonds Issued	2,927	--	--	--	--
Refunding Bonds Issued	1,062	33,318	--	--	--
Payment to Refunded Bond Escrow Agent	--	(40,491)	--	--	--
Provisions for Increase in Land Held for Resale	--	--	--	43	--
Total Other Financing Sources (Uses)	3,989	24,108	(3,301)	23,297	--
Extraordinary Loss					
Net Change in Fund Balances	3,727	(47,438)	(12,793)	(27,225)	5
Fund Balances - Beginning of Year	--	90,510	28,715	27,225	315
Fund Balances - End of Year	\$ 3,727	\$ 43,072	\$ 15,922	\$ --	\$ 320



County of Orange
 Comprehensive Annual Financial Report
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BUDGETARY COMPARISON SCHEDULES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Parking Facilities								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 2,823	\$ --	\$ 2,823	\$ 2,364	\$ (459)		
Charges for Services		419	--	419	267	(152)		
Other		18	--	18	21	3		
Transfers In		1,400	--	1,400	1,400	--		
Total Revenues and Other Financing Sources		4,660	--	4,660	4,052	(608)		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Ways and Facilities:								
Parking Facilities	\$ 111	5,440	584	6,135	4,766	1,369	\$ 51	\$ 1,318
Total Expenditures/Encumbrances and Other Financing Uses	111	5,440	584	6,135	4,766	1,369	\$ 51	\$ 1,318
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(111)	(780)	(584)	(1,475)	(714)	\$ 761		
Fund Balances - Beginning of Year	--	780	--	780	2,920			
Net Decrease in Fund Balances - Non-Budgeted Fund	--	--	--	--	(672)			
Cancellation of Reserves/Designations	--	--	584	584	(54)			
Fund Balance Reserved for Encumbrances	111	--	--	111	54			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 1,534			
Redevelopment Agency								
Revenues								
and Other Financing Sources								
Taxes	\$ --	\$ --	\$ --	\$ --	\$ 3,329	\$ 3,329		
Use of Money and Property		300	--	300	278	(22)		
Charges for Services		--	--	--	2,301	2,301		
Other		55	--	55	111	56		
Transfers In		5,312	--	5,312	--	(5,312)		
Total Revenues and Other Financing Sources		5,667	--	5,667	6,019	352		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Assistance:								
Orange County Development Agency Low and Moderate Income Housing (Santa Ana Heights)	\$ 13	37,131	1,814	38,958	4,255	34,703	\$ --	\$ 34,703
Total Expenditures/Encumbrances and Other Financing Uses	13	37,131	1,814	38,958	4,255	34,703	\$ --	\$ 34,703
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(13)	(31,464)	(1,814)	(33,291)	1,764	\$ 35,055		
Fund Balances - Beginning of Year	--	31,464	--	31,464	47,913			
Cancellation of Reserves/Designations	--	--	1,814	1,814	(16,977)			
Fund Balance Reserved for Encumbrances	13	--	--	13	--			
Provisions for Reserves and/or Designations	--	--	--	--	16,977			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 49,677			

Supplemental Information
(Dollar Amounts in Thousands)

	Open		Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2011	Original Budget					Adjustments	Budget
Service Area, Lighting, Maintenance and Assessment Districts								
Revenues and Other Financing Sources								
Taxes		\$ 466	\$ --	\$ 466	\$ 485	\$ 19		
Use of Money and Property		157	--	157	301	144		
Intergovernmental		3	--	3	4	1		
Charges for Services		22	--	22	22	--		
Other		32	--	32	75	43		
Transfers In		30	--	30	30	--		
Total Revenues and Other Financing Sources		<u>710</u>	<u>--</u>	<u>710</u>	<u>917</u>	<u>207</u>		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Also Viejo Community Facilities								
District 88-1(A) 1992-Construction	\$ --	5,060	11	5,071	6	5,065	\$ --	\$ 5,065
Special Assessment-Top of the								
World Improvement	--	54	--	54	--	54	--	54
CFD 99-1, Ladera Construction								
Series A of 1999 Construction	--	20	221	241	221	20	--	20
Rancho Santa Margarita Community								
Facilities District 86-2, Series A	--	1,664	(2)	1,662	1	1,661	--	1,661
of 1998 Construction								
Rancho Santa Margarita Community								
Facilities District 86-1, Series A	--	182	26	208	76	132	--	132
of 1998 Construction								
CFD 2002-1 Ladera Construction	--	7,895	(475)	7,420	1,813	5,607	1,652	3,955
Lomas Laguna Community Facilities								
District 88-2 Construction	--	397	--	397	--	397	--	397
Baker Ranch Community Facilities								
District 87-6 Construction	--	532	--	532	--	532	--	532
Santa Teresita Community Facilities								
District 87-9 Construction	--	67	--	67	--	67	--	67
Newport Coast Construction 01-1 GR-2	--	--	50	50	50	--	--	--
Mission Viejo Community Facilities								
District 87-3(A) 90 Construction	--	16	--	16	--	16	--	16
CFD 2004-1 Ladera Construction	--	27,707	949	28,656	3,531	25,125	--	25,125
CFD 01-1 Ladera Construction								
Series A of 2001 Construction	--	38	304	342	300	42	--	42
Santa Teresita Community Facilities								
District 87-9(A) 1991 Construction	--	138	--	138	--	138	--	138
CFD 00-1, Ladera Construction								
Series A of 2000 Construction	--	200	238	438	241	197	--	197
Newport Ridge Construction 92-1	--	191	--	191	--	191	--	191
Newport Ridge Construction Series B	--	162	2	164	1	163	--	163
Foothill Ranch Community Facilities								
District 87-4(A) 94 Construction	--	409	--	409	--	409	--	409
CFD 2003-1, Ladera Construction	--	5,972	(179)	5,793	2,132	3,661	827	2,834
Rancho Santa Margarita Community								
Facilities District 87-5C, Series A of	--	74	--	74	--	74	--	74
1994 Construction								
Coto de Caza Community Facilities								
District 87-8(A) 94 Construction	--	69	--	69	--	69	--	69
Public Ways and Facilities:								
County Infrastructure Project	--	5,170	(1)	5,169	27	5,142	--	5,142
North Tustin Landscaping and								
Lighting Assessment District	116	1,920	214	2,250	405	1,845	17	1,828
County Service Area No. 13 -								
La Mirada	--	8	--	8	6	2	--	2
County Service Area No. 20 -								
La Habra	--	174	1	175	1	174	--	174
County Service Area No. 22 -								
East Yorba Linda	15	69	26	110	49	61	1	60
Total Expenditures/Encumbrances and Other Financing Uses	131	58,188	1,385	59,704	8,860	50,844	\$ 2,497	\$ 48,347
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(131)	(57,478)	(1,385)	(58,994)	(7,943)	\$ 51,051		
Fund Balances - Beginning of Year	--	57,478	--	57,478	61,645			
Cancellation of Reserves/Designations	--	--	1,385	1,385	(5,147)			
Fund Balance Reserved for Encumbrances	131	--	--	131	2,497			
Provisions for Reserves and/or Designations	--	--	--	--	2,650			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 53,702			

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

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2011						Budget	Adjustments
Other Environmental Management Revenues								
and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 4	\$ --	\$ 4	\$ 6	\$ 2		
Use of Money and Property		224	(5)	219	284	65		
Intergovernmental		143	926	1,069	823	(246)		
Charges for Services		55	--	55	61	6		
Other		133	(6)	127	143	16		
Total Revenues and Other Financing Sources		559	915	1,474	1,317	(157)		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Real Estate Development Program	\$ --	705	173	878	256	622	\$ --	\$ 622
Air Quality Improvement	--	292	10	302	39	263	--	263
Public Protection:								
Fish and Game Propagation	--	8	6	14	5	9	--	9
Survey Monument Preservation	--	397	6	403	2	401	--	401
Public Ways and Facilities:								
El Toro Improvement Fund	--	593	1,088	1,681	398	1,283	--	1,283
Recreation and Cultural Services:								
Off-Highway Vehicle Fees	--	28	--	28	23	5	--	5
Total Expenditures/Encumbrances and Other Financing Uses	--	2,023	1,283	3,306	723	2,583	\$ --	\$ 2,583
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	--	(1,464)	(368)	(1,832)	594	\$ 2,426		
Fund Balances - Beginning of Year	--	883	--	883	3,133			
Cancellation of Reserves/Designations	--	581	368	949	(1,302)			
Provisions for Reserves and/or Designations	--	--	--	--	1,302			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 3,727			
Tobacco Settlement Revenues								
and Other Financing Sources								
Other		\$ 29,122	\$ (5,511)	\$ 23,611	\$ 26,753	\$ 3,142		
Total Revenues and Other Financing Sources		29,122	(5,511)	23,611	26,753	3,142		
Expenditures/Encumbrances and Other Financing Uses								
General Government:								
Orange County Tobacco Settlement Fund								
Settlement Fund	\$ --	35,026	(6,548)	28,478	25,352	3,126	\$ --	\$ 3,126
Total Expenditures/Encumbrances and Other Financing Uses	--	35,026	(6,548)	28,478	25,352	3,126	\$ --	\$ 3,126
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses								
	--	(5,904)	1,037	(4,867)	1,401	\$ 6,268		
Fund Balances - Beginning of Year	--	5,904	--	5,904	4,867			
Provisions for Reserves and/or Designations	--	--	(1,037)	(1,037)	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 6,268			

Supplemental Information
(Dollar Amounts in Thousands)

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance		
	Encumbrances July 1, 2011						Budget	Adjustments	Budget
Community and Welfare Services									
Revenues									
and Other Financing Sources									
Licenses, Permits, and Franchises		\$ 906	\$ --	\$ 906	\$ 724	\$ (182)			
Use of Money and Property		918	--	918	581	(337)			
Intergovernmental		37,282	6,979	44,261	30,879	(13,382)			
Charges for Services		5,229	(488)	4,741	3,810	(931)			
Other		255	68	323	327	4			
Transfers In		17,234	366	17,600	12,576	(5,024)			
Total Revenues and Other Financing Sources		<u>61,824</u>	<u>6,925</u>	<u>68,749</u>	<u>48,897</u>	<u>(19,852)</u>			
Expenditures/Encumbrances									
and Other Financing Uses									
Public Assistance:									
MHSA Housing Fund	\$ --	2,569	(1)	2,568	1	2,567	\$ --	\$ 2,567	
Department of Labor Grants Fund	111	1,110	(147)	1,074	232	842	36	806	
Dispute Resolution Program	--	1,097	46	1,143	976	167	--	167	
Domestic Violence Program	--	907	142	1,049	725	324	--	324	
District Community Priorities and Projects	--	70	--	70	20	50	--	50	
Facilities Development and Maintenance	--	2,242	197	2,439	2	2,437	--	2,437	
Workforce Investment Act	809	17,345	4,316	22,470	15,622	6,848	162	6,686	
County Executive Office - Single Family Housing	--	3,312	(18)	3,294	310	2,984	--	2,984	
OC Housing	1,868	10,290	313	12,471	7,562	4,909	246	4,663	
Strategic Priority Affordable Housing	--	2	122	124	--	124	--	124	
In-Home Support Services Public Authority	5	1,037	10	1,052	859	193	3	190	
SSA Donations and Fees	--	1,695	686	2,381	777	1,604	--	1,604	
SSA Wraparound	--	47,491	34	47,525	17,355	30,170	--	30,170	
CalHome Program Reuse Fund	--	36	--	36	21	15	--	15	
SARC Lease Conveyance	--	657	--	657	4	653	--	653	
Total Expenditures/Encumbrances and Other Financing Uses		<u>2,793</u>	<u>89,860</u>	<u>5,700</u>	<u>98,353</u>	<u>44,466</u>	<u>53,887</u>	<u>\$ 447</u>	<u>\$ 53,440</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses		(2,793)	(28,036)	1,225	(29,604)	4,431	\$ 34,035		
Fund Balances - Beginning of Year	--	28,843	--	28,843	48,089				
Cancellation of Reserves/Designations	--	--	--	--	(19,053)				
Fund Balance Reserved for Encumbrances	2,793	--	--	2,793	447				
Provisions for Reserves and/or Designations	--	(807)	(1,225)	(2,032)	18,606				
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 52,520				

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

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
OC Parks								
Revenues								
and Other Financing Sources								
Taxes		\$ 49,591	\$ --	\$ 49,591	\$ 50,516	\$ 925		
Licenses, Permits, and Franchises		133	--	133	246	113		
Fines, Forfeitures and Penalties		33	--	33	32	(1)		
Use of Money and Property		9,686	--	9,686	10,264	578		
Intergovernmental		2,045	--	2,045	2,636	591		
Charges for Services		4,089	--	4,089	5,485	1,396		
Other		3,871	--	3,871	2,830	(1,041)		
Transfers In		43	--	43	29	(14)		
Total Revenues and Other Financing Sources		69,491	--	69,491	72,038	2,547		
Expenditures/Encumbrances								
and Other Financing Uses								
Recreation and Cultural Services: County Tidelands - Newport Bay	\$ 384	4,852	834	6,070	3,462	2,608	\$ 78	\$ 2,530
OC Parks	12,292	81,085	13,589	106,966	68,385	38,581	5,298	33,283
OC Capital	2,496	29,248	(1,326)	30,418	4,109	26,309	1,343	24,966
Total Expenditures/Encumbrances and Other Financing Uses	\$ 15,172	115,185	13,097	143,454	75,956	67,498	\$ 6,719	\$ 60,779
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(15,172)	(45,694)	(13,097)	(73,963)	(3,918)	\$ 70,045		
Fund Balances - Beginning of Year	--	35,448	--	35,448	99,247			
Cancellation of Reserves/Designations	--	12,098	13,097	25,195	(32,002)			
Fund Balance Reserved for Encumbrances	15,172	--	--	15,172	6,719			
Provisions for Reserves and/or Designations	--	(1,852)	--	(1,852)	25,283			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 95,329			
OC Dana Point Harbor								
Revenues								
and Other Financing Sources								
Licenses, Permits, and Franchises		\$ 1	\$ --	\$ 1	\$ 10	\$ 9		
Fines, Forfeitures and Penalties		129	--	129	114	(15)		
Use of Money and Property		22,629	--	22,629	22,739	110		
Intergovernmental		--	78	78	117	39		
Charges for Services		689	--	689	627	(62)		
Other		208	--	208	224	16		
Transfers In		271	29	300	277	(23)		
Total Revenues and Other Financing Sources		23,927	107	24,034	24,108	74		
Expenditures/Encumbrances								
and Other Financing Uses								
Recreation and Cultural Services: OC Dana Point Harbor	\$ 1,407	27,231	(3,511)	25,127	19,618	5,509	\$ 2,065	\$ 3,444
Dana Point Marina Department of Boating and Waterways Emergency Repair Fund	--	2,056	38	2,094	1	2,093	--	2,093
Total Expenditures/Encumbrances and Other Financing Uses	1,407	29,287	(3,473)	27,221	19,619	7,602	\$ 2,065	\$ 5,537
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(1,407)	(5,360)	3,580	(3,187)	4,489	\$ 7,676		
Fund Balances - Beginning of Year	--	5,360	--	5,360	46,869			
Cancellation of Reserves/Designations	--	6,400	--	6,400	(45,747)			
Fund Balance Reserved for Encumbrances	1,407	--	--	1,407	2,065			
Provisions for Reserves and/or Designations	--	(6,400)	(3,580)	(9,980)	43,682			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 51,358			

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

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2011						Budget	Adjustments
Schedule 1 County-Administered Accounts								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 34	\$ --	\$ 34	\$ 33	\$ (1)		
Total Revenues and Other Financing Sources		34	--	34	33	(1)		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Litigation Reserve - Escrow								
AG FTCl	\$ --	221	1	222	--	222	\$ --	\$ 222
Indemnification Reserve	--	3	96	99	1	98	--	98
Litigation Reserve	--	10	4,367	4,377	2	4,375	--	4,375
Total Expenditures/Encumbrances and Other Financing Uses	--	234	4,464	4,698	3	4,695	\$ --	\$ 4,695
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(200)	(4,464)	(4,664)	30	<u>(4,696)</u>		
Fund Balances - Beginning of Year	--	200	--	200	5,946			
Cancellation of Reserves/Designations	--	--	4,464	4,464	(1,282)			
Provisions for Reserves and/or Designations	--	--	--	--	1,282			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 5,976			
OC Public Libraries								
Revenues								
and Other Financing Sources								
Taxes		\$ 36,368	\$ --	\$ 36,368	\$ 37,156	\$ 788		
Licenses, Permits, and Franchises		647	3	650	--	(650)		
Fines, Forfeitures and Penalties		20	--	20	16	(4)		
Use of Money and Property		317	--	317	258	(59)		
Intergovernmental		2,230	2,865	5,095	2,868	(2,227)		
Charges for Services		1,068	--	1,068	1,118	50		
Other		595	75	670	650	(20)		
Transfers In		671	--	671	616	(55)		
Total Revenues and Other Financing Sources		41,916	2,943	44,859	42,682	(2,177)		
Expenditures/Encumbrances								
and Other Financing Uses								
Education:								
OC Public Libraries - Capital	\$ 2,525	2,090	3,528	8,143	1,953	6,190	\$ 1,784	\$ 4,406
OC Public Libraries	1,392	43,972	584	45,948	37,985	7,963	1,791	6,172
Total Expenditures/Encumbrances and Other Financing Uses	3,917	46,062	4,112	54,091	39,938	14,153	\$ 3,575	\$ 10,578
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(3,917)	(4,146)	(1,169)	(9,232)	2,744	<u>11,976</u>		
Fund Balances - Beginning of Year	--	4,146	--	4,146	10,469			
Cancellation of Reserves/Designations	--	--	1,169	1,169	(7,245)			
Fund Balance Reserved for Encumbrances	3,917	--	--	3,917	3,575			
Provisions for Reserves and/or Designations	--	--	--	--	3,670			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 13,213			

County of Orange
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	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Plan of Adjustment Available Cash								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 37	\$ --	\$ 37	\$ 11	\$ (26)		
Transfers In		7,152	--	7,152	9,924	2,772		
Total Revenues and Other Financing Sources		7,189	--	7,189	9,935	2,746		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Option B Pool Participants'								
Warrants	\$ --	3	--	3	--	3	\$ --	\$ 3
Recovery Plan of Adjustment								
Available Cash	--	16,420	1,583	18,003	10,811	7,192	--	7,192
Total Expenditures/Encumbrances and Other Financing Uses	--	16,423	1,583	18,006	10,811	7,195	\$ --	\$ 7,195
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(9,234)	(1,583)	(10,817)	(876)	\$ 9,941		
Fund Balances - Beginning of Year	--	9,234	--	9,234	10,817			
Cancellation of Reserves/Designations	--	--	1,583	1,583	--			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 9,941			
Health Care Programs								
Revenues								
and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 8,588	\$ 3,600	\$ 12,188	\$ 12,684	\$ 496		
Use of Money and Property		1,599	--	1,599	1,186	(413)		
Intergovernmental		86,351	2,321	88,672	85,315	(3,357)		
Charges for Services		926	--	926	1,487	561		
Other		410	--	410	159	(251)		
Transfers In		--	--	--	196	196		
Total Revenues and Other Financing Sources		97,874	5,921	103,795	101,027	(2,768)		
Expenditures/Encumbrances								
and Other Financing Uses								
Health and Sanitation:								
Medi-Cal Administrative Activities								
Targeted Case Management	\$ --	3,144	2,145	5,289	2,302	2,987	\$ --	\$ 2,987
Emergency Medical Services	--	8,736	3,523	12,259	11,809	450	--	450
HCA Purpose Restricted Revenues	--	2,620	612	3,232	1,056	2,176	--	2,176
HCA Interest Bearing Purpose								
Restricted Revenue	--	48	143	191	89	102	--	102
HCA Realignment	--	4,000	--	4,000	--	4,000	--	4,000
Mental Health Services Act	--	187,806	7,606	195,412	97,184	98,228	--	98,228
Bioterrorism Center								
for Disease Control	--	5,905	83	5,988	3,456	2,532	--	2,532
Total Expenditures/Encumbrances and Other Financing Uses	--	212,259	14,112	226,371	115,896	110,475	\$ --	\$ 110,475
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(114,385)	(8,191)	(122,576)	(14,869)	\$ 107,707		
Fund Balances - Beginning of Year	--	110,385	--	110,385	204,524			
Cancellation of Reserves/Designations	--	4,000	8,191	12,191	(81,947)			
Provisions for Reserves and/or Designations	--	--	--	--	81,947			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 189,655			

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

	Open	Original	Mid-Year	Final	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
	Encumbrances July 1, 2011						Budget	Adjustments
Orange County Housing Authority								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 579	\$ (355)	\$ 224	\$ 240	\$ 16		
Intergovernmental		131,823	6,656	138,479	145,087	6,608		
Charges for Services		--	5	5	7	2		
Other		1,877	(1,305)	572	425	(147)		
Total Revenues and Other Financing Sources		134,279	5,001	139,280	145,759	6,479		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Assistance:								
Orange County Housing								
Authority-Operating Reserve	\$ 240	1,630	207	2,077	215	1,862	\$ 20	\$ 1,842
Orange County Housing Authority	--	134,026	16,026	150,052	147,209	2,843	87	2,756
Total Expenditures/Encumbrances and Other Financing Uses	240	135,656	16,233	152,129	147,424	4,705	\$ 107	\$ 4,598
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(240)	(1,377)	(11,232)	(12,849)	(1,665)	\$ 11,184		
Fund Balances - Beginning of Year	--	1,377	--	1,377	27,741			
Cancellation of Reserves/Designations	--	--	11,232	11,232	(13,599)			
Fund Balance Reserved for Encumbrances	240	--	--	240	107			
Provisions for Reserves and/or Designations	--	--	--	--	13,492			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 26,076			
Other Governmental Resources								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 6	\$ --	\$ 6	\$ 8	\$ 2		
Intergovernmental		500	--	500	--	(500)		
Charges for Services		30	--	30	71	41		
Other		154	--	154	122	(32)		
Transfers In		100	--	100	100	--		
Total Revenues and Other Financing Sources		790	--	790	301	(489)		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Remittance Processing								
Equipment Replacement	\$ 1	151	66	218	36	182	\$ 1	\$ 181
Property Tax Administration								
State Grant	525	515	(129)	911	825	86	--	86
Assessor Property Characteristic	--	257	--	257	48	209	--	209
US Department of Commerce Grants	--	500	--	500	--	500	--	500
Deferred Compensation								
Reimbursement - CEO	--	174	45	219	136	83	--	83
Total Expenditures/Encumbrances and Other Financing Uses	526	1,597	(18)	2,105	1,045	1,060	\$ 1	\$ 1,059
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(526)	(807)	18	(1,315)	(744)	\$ 571		
Fund Balances - Beginning of Year	--	609	--	609	2,050			
Cancellation of Reserves/Designations	--	227	--	227	(736)			
Fund Balance Reserved for Encumbrances	526	--	--	526	1			
Provisions for Reserves and/or Designations	--	(29)	(18)	(47)	735			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 1,306			

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

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Redevelopment Agency Bonds								
Revenues								
and Other Financing Sources								
Taxes		\$ 30,242	\$ --	\$ 30,242	\$ 15,081	\$ (15,161)		
Use of Money and Property		410	--	410	289	(121)		
Intergovernmental		306	--	306	150	(156)		
Other		69	--	69	73	4		
Transfers In		1,532	--	1,532	1,532	--		
Total Revenues and Other Financing Sources		<u>32,559</u>	<u>--</u>	<u>32,559</u>	<u>17,125</u>	<u>(15,434)</u>		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Orange County Development								
Agency Debt Service - Santa Ana Heights	\$ --	11,664	58	11,722	9,174	2,548	\$ --	\$ 2,548
Orange County Development								
Agency - Neighborhood Development and Preservation Project, Debt Service	--	36,947	22,044	58,991	33,080	25,911	--	25,911
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>48,611</u>	<u>22,102</u>	<u>70,713</u>	<u>42,254</u>	<u>28,459</u>	<u>\$ --</u>	<u>\$ 28,459</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(16,052)	(22,102)	(38,154)	(25,129)	<u>\$ 13,025</u>		
Fund Balances - Beginning of Year	--	13,946	--	13,946	63,418			
Cancellation of Reserves/Designations Provisions for Reserves and/or Designations	--	2,106	22,102	24,208	(25,264)			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 38,289</u>			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Pension Obligation Bonds								
Revenues								
Use of Money and Property		\$ 12,629	\$ --	\$ 12,629	\$ 12,631	\$ 2		
Total Revenues								
and Other Financing Sources		12,629	--	12,629	12,631	2		
Expenditures/Encumbrances								
General Government:								
Pension Obligation Bonds								
Debt Service	\$ --	23,894	--	23,894	23,871	23	\$ --	\$ 23
Total Expenditures/Encumbrances								
and Other Financing Uses	--	23,894	--	23,894	23,871	23	--	23
Excess (Deficit) of Revenues								
and Other Financing Sources								
Over Expenditures/Encumbrances								
and Other Financing Uses	--	(11,265)	--	(11,265)	(11,240)	\$ 25		
Fund Balances - Beginning of Year	--	18	--	18	110,000			
Cancellation of Reserves/Designations	--	11,247	--	11,247	(98,736)			
Provisions for Reserves								
and/or Designations	--	--	--	--	98,736			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 98,760			

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BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Criminal Justice Facilities								
Revenues								
and Other Financing Sources								
Fines, Forfeitures and Penalties		\$ 10,347	\$ (2,000)	\$ 8,347	\$ (753)	\$ (9,100)		
Use of Money and Property		84	--	84	160	76		
Other		38	--	38	79	41		
Transfers In		8,480	2,000	10,480	5,456	(5,024)		
Total Revenues and Other Financing Sources		18,949	--	18,949	4,942	(14,007)		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Protection:								
Criminal Justice Facilities								
Accumulated Capital Outlay	\$ 483	11,705	53	12,241	4,044	8,197	\$ 905	\$ 7,292
Courthouse Temporary Construction	--	8,493	375	8,868	4,534	4,334	--	4,334
Sheriff-Coroner Construction and Facility Development	5,341	20,045	1,567	26,953	9,134	17,819	3,197	14,622
Total Expenditures/Encumbrances and Other Financing Uses	5,824	40,243	1,995	48,062	17,712	30,350	\$ 4,102	\$ 26,248
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(5,824)	(21,294)	(1,995)	(29,113)	(12,770)	\$ 16,343		
Fund Balances - Beginning of Year	--	21,294	--	21,294	28,660			
Cancellation of Reserves/Designations	--	--	1,995	1,995	(4,102)			
Fund Balance Reserved for Encumbrances	5,824	--	--	5,824	4,102			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 15,890			

Supplemental Information
(Dollar Amounts in Thousands)

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Redevelopment Agency								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 119	\$ --	\$ 119	\$ 228	\$ 109		
Other		389	--	389	451	62		
Transfers In		2,000	28,217	30,217	30,216	(1)		
Total Revenues and Other Financing Sources		2,508	28,217	30,725	30,895	170		
Expenditures/Encumbrances								
and Other Financing Uses								
General Government:								
Orange County Development								
Agency - Santa Ana Heights 1993 Bond Issue	\$ --	4,233	3,356	7,589	785	6,804	\$ --	\$ 6,804
Orange County Development								
Agency - Santa Ana Heights 1993 Bond Issue Low/Moderate Income Housing	--	334	1,201	1,535	2	1,533	--	1,533
Orange County Development								
Agency - Santa Ana Heights Surplus	13	9,673	1,578	11,264	607	10,657	--	10,657
Orange County Development								
Agency - Neighborhood Development and Preservation Projects, 1992 Issue A	--	949	1	950	--	950	--	950
Neighborhood Development and Preservation Project - Low/Moderate Income Housing, 1992 Issue A								
Orange County Development	--	3,137	(3,075)	62	(1)	63	--	63
Orange County Development								
Agency - Neighborhood Development and Preservation Projects, 1992 Issue B	--	333	1	334	--	334	--	334
Orange County Development								
Agency - Neighborhood Development and Preservation Projects, 1992 Issue B Low/Moderate Income Housing	--	397	14	411	--	411	--	411
Orange County Development								
Agency-Neighborhood Preservation and Development Construction	--	546	--	546	504	42	--	42
Orange County Development								
Agency - Neighborhood Development and Preservation Project Surplus	--	1,354	27,284	28,638	4,515	24,123	20	24,103
Total Expenditures/Encumbrances and Other Financing Uses	13	20,956	30,360	51,329	6,412	44,917	\$ 20	\$ 44,897
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	(13)	(18,448)	(2,143)	(20,604)	24,483	\$ 45,087		
Fund Balances - Beginning of Year	--	18,448	--	18,448	27,174			
Cancellation of Reserves/Designations	--	--	2,143	2,143	(6,550)			
Fund Balance Reserved for Encumbrances	13	--	--	13	20			
Provisions for Reserves and/or Designations	--	--	--	--	6,530			
Fund Balances - End of Year	\$ --	\$ --	\$ --	\$ --	\$ 51,657			

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BUDGETARY COMPARISON SCHEDULE
 NONMAJOR GOVERNMENTAL FUNDS - PERMANENT FUND

	Open Encumbrances July 1, 2011	Original Budget	Mid-Year Adjustments	Final Budget	Actual Revenues & Expenditures on Budgetary Basis	Variance Positive (Negative)	Variance	
							Open Encumbrances June 30, 2012	Unspent Appropriations
Permanent Fund								
Revenues								
and Other Financing Sources								
Use of Money and Property		\$ 3	\$ --	\$ 3	\$ 2	\$ (1)		
Other		2	--	2	2	--		
Total Revenues and Other Financing Sources		<u>5</u>	<u>--</u>	<u>5</u>	<u>4</u>	<u>(1)</u>		
Expenditures/Encumbrances								
and Other Financing Uses								
Public Ways and Facilities:								
Limestone Regional Park								
Mitigation Maintenance								
Endowment	\$ --	8	--	8	--	8	\$ --	\$ 8
Total Expenditures/Encumbrances and Other Financing Uses	--	<u>8</u>	<u>--</u>	<u>8</u>	<u>--</u>	<u>8</u>	<u>\$ --</u>	<u>\$ 8</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures/Encumbrances and Other Financing Uses	--	(3)	--	(3)	4	<u>\$ 7</u>		
Fund Balances - Beginning of Year	--	6	--	6	158			
Cancellation of Reserves/Designations	--	--	--	--	(155)			
Provisions for Reserves and/or Designations	--	(3)	--	(3)	155			
Fund Balances - End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 162</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.

Insured Health Plans

This fund is used to account for the fully insured health plans for the County employees and retirees.

Life Insurance

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

Workers' Compensation

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

Unemployment Insurance

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

Property and Casualty Risk

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

Transportation

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

Publishing Services

This fund is used to account for printing and graphic services which are provided to departments and agencies on a cost-reimbursement basis.

Information and Technology

This fund is used to account for voice and data services to departments and agencies on a cost-reimbursement basis.

COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS

<u>ASSETS</u>	<u>Total</u>	<u>Health and Other Self-Insured Employee Benefits</u>	<u>HMO Health Insurance</u>
Current Assets			
Pooled Cash/Investments	\$ 171,295	\$ 20,801	\$ 5,149
Imprest Cash Funds	133	125	--
Restricted Cash and Investments with Trustee	79	--	--
Receivables			
Accounts	227	--	--
Interest/Dividends	216	26	--
Allowance for Uncollectible Receivables	(1)	--	--
Due from Other Funds	1,797	--	--
Due from Other Governmental Agencies	571	333	37
Inventory of Materials and Supplies	471	--	--
Prepaid Costs	2,559	--	--
Total Current Assets	177,347	21,285	5,186
Noncurrent Assets			
Capital Assets			
Construction in Progress	522	--	--
Structures and Improvements	10,572	--	--
Accumulated Depreciation	(4,955)	--	--
Equipment	80,890	--	--
Accumulated Depreciation	(69,822)	--	--
Total Capital Assets	17,207	--	--
Total Assets	194,554	21,285	5,186
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	6,165	126	--
Retainage Payable	27	--	--
Salaries and Employee Benefits Payable	730	--	--
Due to Other Funds	1,977	1	--
Insurance Claims Payable	54,151	11,150	--
Compensated Employee Absences Payable	1,016	--	--
Total Current Liabilities	64,066	11,277	--
Noncurrent Liabilities			
Insurance Claims Payable	149,461	--	--
Compensated Employee Absences Payable	1,088	--	--
Total Noncurrent Liabilities	150,549	--	--
Total Liabilities	214,615	11,277	--
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	17,207	--	--
Unrestricted	(37,268)	10,008	5,186
Total Net Assets	\$ (20,061)	\$ 10,008	\$ 5,186

Supplemental Information
(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance
\$ 160	\$ 81,012	\$ 10,907
--	--	--
79	--	--
--	--	--
--	107	15
--	--	--
--	--	--
--	--	--
--	171	--
<u>239</u>	<u>81,290</u>	<u>10,922</u>
--	--	--
--	--	--
--	--	--
--	8	--
--	(8)	--
<u>239</u>	<u>81,290</u>	<u>10,922</u>
--	1,195	--
--	--	--
--	51	--
--	178	27
--	28,740	1,533
--	76	--
<u>--</u>	<u>30,240</u>	<u>1,560</u>
--	117,511	--
--	69	--
<u>--</u>	<u>117,580</u>	<u>--</u>
--	147,820	1,560
--	--	--
239	(66,530)	9,362
<u>\$ 239</u>	<u>\$ (66,530)</u>	<u>\$ 9,362</u>

ASSETS

Current Assets

Pooled Cash/Investments
Imprest Cash Funds
Restricted Cash and Investments with Trustee
Receivables
Accounts
Interest/Dividends
Allowance for Uncollectible Receivables
Due from Other Funds
Due from Other Governmental Agencies
Inventory of Materials and Supplies
Prepaid Costs
Total Current Assets

Noncurrent Assets

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

Total Assets

LIABILITIES

Current Liabilities

Accounts Payable
Retainage Payable
Salaries and Employee Benefits Payable
Due to Other Funds
Insurance Claims Payable
Compensated Employee Absences Payable
Total Current Liabilities

Noncurrent Liabilities

Insurance Claims Payable
Compensated Employee Absences Payable
Total Noncurrent Liabilities

Total Liabilities

NET ASSETS

Invested in Capital Assets, Net of Related Debt
Unrestricted
Total Net Assets

COMBINING STATEMENT OF NET ASSETS (Continued)
 INTERNAL SERVICE FUNDS

	Property & Casualty Risk	Transportation	Publishing Services	Information & Technology
ASSETS				
Current Assets				
Pooled Cash/Investments	\$ 19,334	\$ 14,982	\$ 797	\$ 18,153
Imprest Cash Funds	5	--	--	3
Restricted Cash and Investments with Trustee	--	--	--	--
Receivables				
Accounts	11	58	1	157
Interest/Dividends	27	19	1	21
Allowance for Uncollectible Receivables	--	--	--	(1)
Due from Other Funds	498	1,230	4	65
Due from Other Governmental Agencies	59	1	34	107
Inventory of Materials and Supplies	--	471	--	--
Prepaid Costs	202	927	229	1,030
Total Current Assets	20,136	17,688	1,066	19,535
Noncurrent Assets				
Capital Assets				
Construction in Progress	--	--	--	522
Structures and Improvements	--	8,833	--	1,739
Accumulated Depreciation	--	(4,657)	--	(298)
Equipment	--	32,007	1,565	47,310
Accumulated Depreciation	--	(24,896)	(1,090)	(43,828)
Total Capital Assets	--	11,287	475	5,445
Total Assets	20,136	28,975	1,541	24,980
LIABILITIES				
Current Liabilities				
Accounts Payable	2,600	380	69	1,795
Retainage Payable	--	--	--	27
Salaries and Employee Benefits Payable	59	266	66	288
Due to Other Funds	203	177	236	1,155
Insurance Claims Payable	12,728	--	--	--
Compensated Employee Absences Payable	84	348	86	422
Total Current Liabilities	15,674	1,171	457	3,687
Noncurrent Liabilities				
Insurance Claims Payable	31,950	--	--	--
Compensated Employee Absences Payable	137	327	85	470
Total Noncurrent Liabilities	32,087	327	85	470
Total Liabilities	47,761	1,498	542	4,157
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	--	11,287	475	5,445
Unrestricted	(27,625)	16,190	524	15,378
Total Net Assets	\$ (27,625)	\$ 27,477	\$ 999	\$ 20,823



**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	\$ 3,099	\$ --	\$ --
Charges for Services	60,169	--	--
Insurance Premiums	252,935	62,856	130,903
Other Taxes	1	--	--
Total Operating Revenues	<u>316,204</u>	<u>62,856</u>	<u>130,903</u>
Operating Expenses			
Salaries and Employee Benefits	18,019	--	--
Services and Supplies	31,343	2,416	--
Professional Services	29,436	2,893	7
Operating Leases	3,120	--	--
Insurance Claims and Premiums	255,765	63,679	130,971
Other Charges	349	349	--
Taxes and Other Fees	9	--	--
Depreciation	3,907	--	--
Total Operating Expenses	<u>341,948</u>	<u>69,337</u>	<u>130,978</u>
Operating Income (Loss)	<u>(25,744)</u>	<u>(6,481)</u>	<u>(75)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenues	2,412	2,083	329
Interest Revenue	801	108	47
Gain (Loss) on Disposition of Capital Assets	90	--	--
Other Revenue	3,660	1,867	113
Total Nonoperating Revenues (Expenses)	<u>6,963</u>	<u>4,058</u>	<u>489</u>
Income (Loss) Before Contributions and Transfers	(18,781)	(2,423)	414
Transfers In	2,276	1,718	6
Transfers Out	(44)	--	(43)
Increase (Decrease) in Net Assets	<u>(16,549)</u>	<u>(705)</u>	<u>377</u>
Net Assets - Beginning of Year	(3,512)	10,713	4,809
Net Assets - End of Year	<u>\$ (20,061)</u>	<u>\$ 10,008</u>	<u>\$ 5,186</u>

Supplemental Information
(Dollar Amounts in Thousands)

Life Insurance	Workers' Compensation	Unemployment Insurance	
\$ --	\$ --	\$ --	Operating Revenues
--	--	--	Use of Money and Property
965	30,085	3,606	Charges for Services
--	--	--	Insurance Premiums
--	--	--	Other Taxes
965	30,085	3,606	Total Operating Revenues
--	1,229	--	Operating Expenses
--	268	--	Salaries and Employee Benefits
--	3,857	50	Services and Supplies
--	188	--	Professional Services
1,290	37,413	(389)	Operating Leases
--	--	--	Insurance Claims and Premiums
--	--	--	Other Charges
--	--	--	Taxes and Other Fees
--	--	--	Depreciation
1,290	42,955	(339)	Total Operating Expenses
(325)	(12,870)	3,945	Operating Income (Loss)
--	--	--	Nonoperating Revenues (Expenses)
4	363	52	Intergovernmental Revenues
--	--	--	Interest Revenue
--	574	8	Gain (Loss) on Disposition of Capital Assets
--	--	--	Other Revenue
4	937	60	Total Nonoperating Revenues (Expenses)
(321)	(11,933)	4,005	Income (Loss) Before Contributions and Transfers
--	339	--	Transfers In
(1)	--	--	Transfers Out
(322)	(11,594)	4,005	Increase (Decrease) in Net Assets
561	(54,936)	5,357	Net Assets - Beginning of Year
\$ 239	\$ (66,530)	\$ 9,362	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	\$ --	\$ --	\$ --	\$ 3,099
Charges for Services	--	21,005	3,125	36,039
Insurance Premiums	24,520	--	--	--
Other Taxes	--	1	--	--
Total Operating Revenues	<u>24,520</u>	<u>21,006</u>	<u>3,125</u>	<u>39,138</u>
Operating Expenses				
Salaries and Employee Benefits	1,413	6,625	1,686	7,066
Services and Supplies	8,944	9,629	963	9,123
Professional Services	653	2,069	477	19,430
Operating Leases	124	76	415	2,317
Insurance Claims and Premiums	22,801	--	--	--
Other Charges	--	--	--	--
Taxes and Other Fees	--	9	--	--
Depreciation	--	2,964	83	860
Total Operating Expenses	<u>33,935</u>	<u>21,372</u>	<u>3,624</u>	<u>38,796</u>
Operating Income (Loss)	<u>(9,415)</u>	<u>(366)</u>	<u>(499)</u>	<u>342</u>
Nonoperating Revenues (Expenses)				
Intergovernmental Revenues	--	--	--	--
Interest Revenue	74	70	3	80
Gain (Loss) on Disposition of Capital Assets	--	94	(3)	(1)
Other Revenue	395	149	190	364
Total Nonoperating Revenues (Expenses)	<u>469</u>	<u>313</u>	<u>190</u>	<u>443</u>
Income (Loss) Before Contributions and Transfers	(8,946)	(53)	(309)	785
Transfers In	--	213	--	--
Transfers Out	--	--	--	--
Increase (Decrease) in Net Assets	<u>(8,946)</u>	<u>160</u>	<u>(309)</u>	<u>785</u>
Net Assets - Beginning of Year	(18,679)	27,317	1,308	20,038
Net Assets - End of Year	<u>\$ (27,625)</u>	<u>\$ 27,477</u>	<u>\$ 999</u>	<u>\$ 20,823</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	\$ 63,332	\$ 62	\$ --	\$ --
Cash Received for Premiums Within the County's Entity	252,935	62,856	130,903	965
Payments to Suppliers for Goods and Services	(300,058)	(68,098)	(130,978)	(1,290)
Payments to Employees for Services	(17,919)	--	--	--
Payments for Interfund Services Used	(308)	--	--	--
Cash Receipts for Interfund Services Provided	329	5	16	--
Taxes and Other Fees	(9)	--	--	--
Other Operating Receipts (Payments) - Net	154	1,518	76	--
Net Cash Provided (Used) by Operating Activities	<u>(1,544)</u>	<u>(3,657)</u>	<u>17</u>	<u>(325)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	2,276	1,718	6	--
Transfers Out	(44)	--	(43)	(1)
Intergovernmental Revenues	2,412	2,083	329	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,644</u>	<u>3,801</u>	<u>292</u>	<u>(1)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	(2,978)	--	--	--
Net Cash Used by Capital and Related Financing Activities	<u>(2,978)</u>	<u>--</u>	<u>--</u>	<u>--</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interest on Investments	819	112	47	4
Net Cash Provided by Investing Activities	<u>819</u>	<u>112</u>	<u>47</u>	<u>4</u>
Net Increase (Decrease) in Cash and Cash Equivalents	941	256	356	(322)
Cash and Cash Equivalents - Beginning of Year	170,566	20,670	4,793	561
Cash and Cash Equivalents - End of Year	<u>\$ 171,507</u>	<u>\$ 20,926</u>	<u>\$ 5,149</u>	<u>\$ 239</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (25,744)	\$ (6,481)	\$ (75)	\$ (325)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	3,907	--	--	--
Other Revenue - net	3,660	1,867	113	--
(Increases) Decreases In:				
Accounts Receivable	(154)	--	--	--
Due from Other Funds	608	6	16	--
Due from Other Governmental Agencies	180	62	(37)	--
Inventory of Materials and Supplies	(82)	--	--	--
Prepaid Costs	602	--	--	--
Increases (Decreases) In:				
Accounts Payable	723	(8)	--	--
Retainage Payable	27	--	--	--
Salaries and Employee Benefits Payable	40	--	--	--
Due to Other Funds	(587)	(1)	--	--
Due to Other Governmental Agencies	(3)	--	--	--
Insurance Claims Payable	15,219	898	--	--
Compensated Employee Absences Payable	60	--	--	--
Total Adjustments	24,200	2,824	92	--
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,544)</u>	<u>\$ (3,657)</u>	<u>\$ 17</u>	<u>\$ (325)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Pooled Cash/Investments	\$ 171,295	\$ 20,801	\$ 5,149	\$ 160
Imprest Cash Funds	133	125	--	--
Restricted Cash and Investments with Trustee	79	--	--	79
Total Cash and Cash Equivalents	<u>\$ 171,507</u>	<u>\$ 20,926</u>	<u>\$ 5,149</u>	<u>\$ 239</u>

Workers' Compensation	Unemployment Insurance	Property & Casualty Risk	
\$ --	\$ --	\$ 201	CASH FLOWS FROM OPERATING ACTIVITIES
30,085	3,606	24,520	Receipts from Customers
(31,299)	(1,874)	(25,067)	Cash Received for Premiums Within the County's Entity
(1,198)	--	(1,407)	Payments to Suppliers for Goods and Services
(9)	--	(155)	Payments to Employees for Services
--	26	--	Payments for Interfund Services Used
--	--	--	Cash Receipts for Interfund Services Provided
386	8	271	Taxes and Other Fees
<u>(2,035)</u>	<u>1,766</u>	<u>(1,637)</u>	Other Operating Receipts (Payments) - Net
			Net Cash Provided (Used) by Operating Activities
			CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
339	--	--	Transfers In
--	--	--	Transfers Out
--	--	--	Intergovernmental Revenues
<u>339</u>	<u>--</u>	<u>--</u>	Net Cash Provided (Used) by Noncapital Financing Activities
			CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
--	--	--	Acquisition of Capital Assets
<u>--</u>	<u>--</u>	<u>--</u>	Net Cash Used by Capital and Related Financing Activities
			CASH FLOW FROM INVESTING ACTIVITIES
375	50	76	Interest on Investments
<u>375</u>	<u>50</u>	<u>76</u>	Net Cash Provided by Investing Activities
(1,321)	1,816	(1,561)	Net Increase (Decrease) in Cash and Cash Equivalents
82,333	9,091	20,900	Cash and Cash Equivalents - Beginning of Year
<u>\$ 81,012</u>	<u>\$ 10,907</u>	<u>\$ 19,339</u>	Cash and Cash Equivalents - End of Year
			Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities
\$ (12,870)	\$ 3,945	\$ (9,415)	Operating Income (Loss)
			Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:
--	--	--	Depreciation
574	8	395	Other Revenue - net
--	--	(1)	(Increases) Decreases In:
31	--	(102)	Accounts Receivable
--	--	202	Due from Other Funds
--	--	--	Due from Other Governmental Agencies
38	--	50	Inventory of Materials and Supplies
			Prepaid Costs
465	--	483	Increases (Decreases) In:
--	--	--	Accounts Payable
6	--	5	Retainage Payable
(40)	26	(53)	Salaries and Employee Benefits Payable
--	--	--	Due to Other Funds
9,736	(2,213)	6,798	Due to Other Governmental Agencies
25	--	1	Insurance Claims Payable
			Compensated Employee Absences Payable
<u>10,835</u>	<u>(2,179)</u>	<u>7,778</u>	Total Adjustments
<u>\$ (2,035)</u>	<u>\$ 1,766</u>	<u>\$ (1,637)</u>	Net Cash Provided (Used) by Operating Activities
			Reconciliation of Cash and Cash Equivalents to Statement of Net Assets
\$ 81,012	\$ 10,907	\$ 19,334	Pooled Cash/Investments
--	--	5	Imprest Cash Funds
<u>--</u>	<u>--</u>	<u>--</u>	Restricted Cash and Investments with Trustee
<u>\$ 81,012</u>	<u>\$ 10,907</u>	<u>\$ 19,339</u>	Total Cash and Cash Equivalents

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COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS

	Transportation	Publishing Services	Information & Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 21,009	\$ 3,114	\$ 38,946
Cash Received for Premiums Within the County's Entity	--	--	--
Payments to Suppliers for Goods and Services	(11,699)	(1,367)	(28,386)
Payments to Employees for Services	(6,636)	(1,693)	(6,985)
Payments for Interfund Services Used	--	(68)	(76)
Cash Receipts for Interfund Services Provided	282	--	--
Taxes and Other Fees	(9)	--	--
Other Operating Receipts (Payments) - Net	73	(225)	(1,953)
Net Cash Provided (Used) by Operating Activities	<u>3,020</u>	<u>(239)</u>	<u>1,546</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	213	--	--
Transfers Out	--	--	--
Intergovernmental Revenues	--	--	--
Net Cash Provided (Used) by Noncapital Financing Activities	<u>213</u>	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of Capital Assets	(2,645)	--	(333)
Net Cash Used by Capital and Related Financing Activities	<u>(2,645)</u>	<u>--</u>	<u>(333)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on Investments	70	4	81
Net Cash Provided by Investing Activities	<u>70</u>	<u>4</u>	<u>81</u>
Net Increase (Decrease) in Cash and Cash Equivalents	658	(235)	1,294
Cash and Cash Equivalents - Beginning of Year	14,324	1,032	16,862
Cash and Cash Equivalents - End of Year	<u>\$ 14,982</u>	<u>\$ 797</u>	<u>\$ 18,156</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (366)	\$ (499)	\$ 342
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,964	83	860
Other Revenue - net	149	190	364
(Increases) Decreases In:			
Accounts Receivable	3	--	(156)
Due from Other Funds	492	3	162
Due from Other Governmental Agencies	--	(11)	(36)
Inventory of Materials and Supplies	(82)	--	--
Prepaid Costs	211	68	235
Increases (Decreases) In:			
Accounts Payable	(130)	8	(95)
Retainage Payable	--	--	27
Salaries and Employee Benefits Payable	14	2	13
Due to Other Funds	(210)	(71)	(238)
Due to Other Governmental Agencies	--	(3)	--
Insurance Claims Payable	--	--	--
Compensated Employee Absences Payable	(25)	(9)	68
Total Adjustments	<u>3,386</u>	<u>260</u>	<u>1,204</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,020</u>	<u>\$ (239)</u>	<u>\$ 1,546</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Pooled Cash/Investments	\$ 14,982	\$ 797	\$ 18,153
Imprest Cash Funds	--	--	3
Restricted Cash and Investments with Trustee	--	--	--
Total Cash and Cash Equivalents	<u>\$ 14,982</u>	<u>\$ 797</u>	<u>\$ 18,156</u>



FIDUCIARY FUNDS

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

PRIVATE-PURPOSE TRUST FUNDS

Public Administration Trust Funds

These funds are used to account for trust arrangements where the principle 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.

OCDA Redevelopment Successor Agency

The Orange County Development Agency was dissolved effective February 1, 2012 in accordance with Health and Safety Code 34172. A successor agency was designated as the successor entity to the former redevelopment agency in accordance with Health and Safety Code 34173. The OCDA Redevelopment Successor Agency holds the assets of the dissolved Orange County Development Agency pending liquidation and distribution.

AGENCY FUNDS

Unapportioned Tax and Interest Funds

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

Departmental Funds

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

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Extra-Help Defined Benefit Plan

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

Extra-Help Defined Contribution Plan

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

401(a) Defined Contribution Plan

This fund accounts for the 401(a) defined contribution plan, which was established on January 1999 for eligible employees, including the 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 effective June 23, 2006.

1.62% at 65 Retirement, 401(a) Defined Contribution Plan

This fund accounts for the 1.62% at 65 Retirement, 401(a) Defined Contribution plan, which was established on March 22, 2011 for eligible employees who have elected the 1.62% at 65 Retirement formula and who voluntarily contribute to the 1.62% at 65 Retirement, 457 Defined Contribution plan, thereby receiving County contributions to the 1.62% at 65 Retirement, 401(a) Defined Contribution plan as defined in the plan document.

Retiree Medical Plan

This fund is used to account for the annual required contributions, benefit payments, and investment losses and gains in the Retiree Medical Trust which was established effective July 2, 2007. The Retiree Medical Trust was established exclusively for the Retiree Medical Plan which is a single employer Other Postemployment Benefit plan that was established on August 1, 1993 for eligible employees as defined in the plan document.

Health Reimbursement Arrangement Plan

This fund is used to account for the employer and employee contributions to the Health Reimbursement Arrangement, a defined contribution plan, which was established on June 17, 2008 for eligible employees, including employees represented by the Association of Orange County Deputy Sheriffs and Law Enforcement Management employees as defined in the plan document.

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE-PURPOSE TRUST FUNDS**

	<u>Total</u>	<u>Public Administration Trust Funds</u>	<u>OCDA Redevelopment Successor Agency</u>
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 152,328	\$ 41,947	\$ 110,381
Restricted Cash and Investments			
Restricted Cash	52	52	--
Restricted Investments with Trustee	2,996	--	2,996
Receivables			
Interest/Dividends	283	71	212
Due from Other Governmental Agencies	211	--	211
Land Held for Redevelopment	616	--	616
Bond Issuance Costs	1,005	--	1,005
Total Assets	<u>157,491</u>	<u>42,070</u>	<u>115,421</u>
<u>LIABILITIES</u>			
Bonds Payable	44,057	--	44,057
Interest Payable	734	--	734
Due to Other Governmental Agencies	23,195	302	22,893
Total Liabilities	<u>67,986</u>	<u>302</u>	<u>67,684</u>
<u>NET ASSETS</u>			
Held in Trust	89,505	41,768	47,737
Total Net Assets	<u>\$ 89,505</u>	<u>\$ 41,768</u>	<u>\$ 47,737</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Total	Public Administration Trust Funds	OCDA Redevelopment Successor Agency
Additions:			
Contributions to Private-Purpose Trust	\$ 61,340	\$ 61,340	\$ --
Intergovernmental Revenues	4,086	--	4,086
Other Revenues	25	--	25
Interest and Investment Income	252	37	215
Less: Investment Expense	(39)	(14)	(25)
Total Additions	<u>65,664</u>	<u>61,363</u>	<u>4,301</u>
Deductions:			
Distributions from Private-Purpose Trust	68,111	68,111	--
Services and Supplies	409	--	409
Taxes and Other Fees	24,883	--	24,883
Interest Expense	911	--	911
Total Deductions	<u>94,314</u>	<u>68,111</u>	<u>26,203</u>
Extraordinary Gain	69,639	--	69,639
Change in Net Assets Held in Trust For:			
Private-Purpose Trust	40,989	(6,748)	47,737
Net Assets Held in Trust, Beginning of Year	48,516	48,516	--
Net Assets Held in Trust, End of Year	<u>\$ 89,505</u>	<u>\$ 41,768</u>	<u>\$ 47,737</u>

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

	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
<u>ASSETS</u>				
Pooled Cash/Investments	\$ 26,174	\$ 4,483	\$ --	\$ --
Restricted Cash and Investments with Trustee	153,922	--	5,951	10,873
Receivables				
Interest/Dividends	59	8	--	--
Due from Other Governmental Agencies	2,147	--	--	--
Total Assets Held in Trust	<u>182,302</u>	<u>4,491</u>	<u>5,951</u>	<u>10,873</u>
<u>LIABILITIES</u>				
Accounts Payable	18	18	--	--
Due to Other Governmental Agencies	2	--	--	--
Total Liabilities	<u>20</u>	<u>18</u>	<u>--</u>	<u>--</u>
<u>NET ASSETS</u>				
Held in Trust	182,282	4,473	5,951	10,873
Total Net Assets Held in Trust	<u>\$ 182,282</u>	<u>\$ 4,473</u>	<u>\$ 5,951</u>	<u>\$ 10,873</u>

Retiree Medical Plan	Health Reimbursement Arrangement Plan	1.62% at 65 Retirement, 401(a) Defined Contribution Plan
\$ 21,647	\$ 44	\$ --
99,886	37,206	6
51	--	--
1,814	333	--
123,398	37,583	6
--	--	--
2	--	--
2	--	--
123,396	37,583	6
\$ 123,396	\$ 37,583	\$ 6

ASSETS

Pooled Cash/Investments
 Restricted Cash and Investments with Trustee
 Receivables
 Interest/Dividends
 Due from Other Governmental Agencies
 Total Assets Held in Trust

LIABILITIES

Accounts Payable
 Due to Other Governmental Agencies
 Total Liabilities

NET ASSETS

Held in Trust
 Total Net Assets Held in Trust

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

Additions:	Total	Extra-Help Defined Benefit Plan	Extra-Help Defined Contribution Plan	401(a) Defined Contribution Plan
Contributions to Pension Trust:				
Employer	\$ 44,471	\$ 289	\$ --	\$ 1,017
Employee	1,139	--	1,139	--
Other Revenues	13	6	--	--
Interest and Investment Income	770	20	196	251
Less: Investment Expense	(59)	(3)	--	--
Total Additions	<u>46,334</u>	<u>312</u>	<u>1,335</u>	<u>1,268</u>
Deductions:				
Benefits Paid to Participants	<u>29,058</u>	<u>519</u>	<u>505</u>	<u>629</u>
Total Deductions	<u>29,058</u>	<u>519</u>	<u>505</u>	<u>629</u>
Change in Net Assets Held in Trust For:				
Employees' Retirement	17,276	(207)	830	639
Net Assets Held in Trust, Beginning of Year	<u>165,006</u>	<u>4,680</u>	<u>5,121</u>	<u>10,234</u>
Net Assets Held in Trust, End of Year	<u>\$ 182,282</u>	<u>\$ 4,473</u>	<u>\$ 5,951</u>	<u>\$ 10,873</u>

Supplemental Information
(Dollar Amounts in Thousands)

<u>Retiree Medical Plan</u>	<u>Health Reimbursement Arrangement Plan</u>	<u>1.62%@65 Retirement, 401(a) Defined Contribution Plan</u>	
\$ 35,197	\$ 7,962	\$ 6	Additions:
--	--	--	Contributions to Pension Trust:
6	1	--	Employer
137	166	--	Employee
(56)	--	--	Other Revenues
<u>35,284</u>	<u>8,129</u>	<u>6</u>	Interest and Investment Income
			Less: Investment Expense
			Total Additions
<u>26,882</u>	<u>523</u>	<u>--</u>	Deductions:
<u>26,882</u>	<u>523</u>	<u>--</u>	Benefits Paid to Participants
			Total Deductions
8,402	7,606	6	Change in Net Assets Held in Trust For Employees' Retirement
114,994	29,977	--	Net Assets Held in Trust, Beginning of Year
<u>\$ 123,396</u>	<u>\$ 37,583</u>	<u>\$ 6</u>	Net Assets Held in Trust, End of Year

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

	<u>Total</u>	<u>Unapportioned Tax and Interest Funds</u>	<u>Departmental Funds</u>
<u>ASSETS</u>			
Pooled Cash/Investments	\$ 321,518	\$ 139,410	\$ 182,108
Cash/Cash Equivalents	89	--	89
Restricted Cash and Investments with Trustee	43,150	--	43,150
Investments	1,082	--	1,082
Deposits In-Lieu of Cash	11,659	--	11,659
Receivables			
Accounts	12	--	12
Taxes	292,519	292,519	--
Interest/Dividends	6,684	6,338	346
Allowance For Uncollectible Receivables	(3)	--	(3)
Due from Other Governmental Agencies	34,829	23,879	10,950
Notes Receivable	24,312	--	24,312
Total Assets	<u>\$ 735,851</u>	<u>\$ 462,146</u>	<u>\$ 273,705</u>
<u>LIABILITIES</u>			
Interest Payable	\$ 4,742	\$ 4,742	\$ --
Deposits from Others	16,302	--	16,302
Monies Held for Others	236,274	--	236,274
Due to Other Governmental Agencies	21,130	1	21,129
Unapportioned Taxes	457,403	457,403	--
Total Liabilities	<u>\$ 735,851</u>	<u>\$ 462,146</u>	<u>\$ 273,705</u>



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

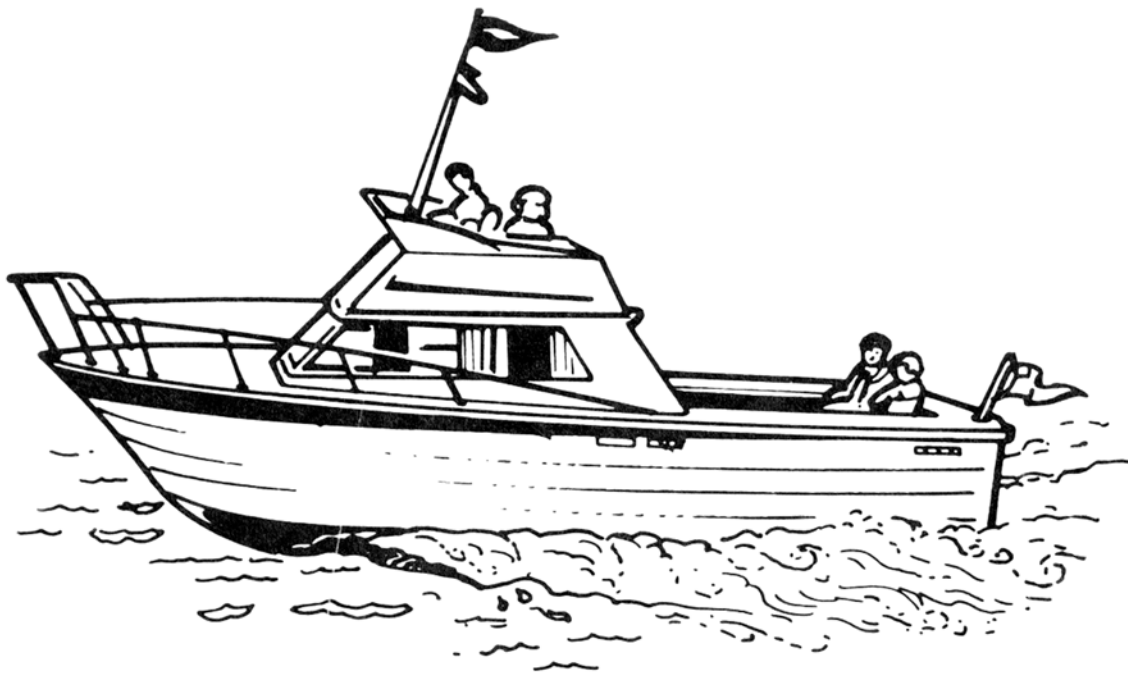
UNAPPORTIONED TAX AND INTEREST FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 120,364	\$ 7,563,534	\$ 7,544,488	\$ 139,410
Receivables				
Accounts	2	--	2	--
Taxes	288,029	15,082,816	15,078,326	292,519
Interest	6,499	44,494	44,655	6,338
Allowance for Uncollectible Receivables	(2)	2	--	--
Due from Other Governmental Agencies	1,443	53,632	31,196	23,879
Total Assets	<u>\$ 416,335</u>	<u>\$ 22,744,478</u>	<u>\$ 22,698,667</u>	<u>\$ 462,146</u>
LIABILITIES				
Interest Payable	\$ 5,125	\$ 24,808	\$ 25,191	\$ 4,742
Due to Other Governmental Agencies	430	28,516	28,945	1
Unapportioned Taxes	410,780	11,012,297	10,965,674	457,403
Total Liabilities	<u>\$ 416,335</u>	<u>\$ 11,065,621</u>	<u>\$ 11,019,810</u>	<u>\$ 462,146</u>

DEPARTMENTAL FUNDS	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Pooled Cash/Investments	\$ 179,152	\$ 3,374,280	\$ 3,371,324	\$ 182,108
Cash/Cash Equivalents	--	89	--	89
Restricted Cash and Investments with Trustee	61,786	170,163	188,799	43,150
Investments	9,124	2,164	10,206	1,082
Deposits In-Lieu of Cash	11,348	672	361	11,659
Receivables				
Accounts	10	10	8	12
Interest	389	1,338	1,381	346
Allowance for Uncollectible Receivables	(3)	--	--	(3)
Due from Other Funds	--	649,740	649,740	--
Due from Other Governmental Agencies	6,855	13,544	9,449	10,950
Prepaid Costs	--	23,220	23,220	--
Notes Receivable	17,828	6,743	259	24,312
Total Assets	<u>\$ 286,489</u>	<u>\$ 4,241,963</u>	<u>\$ 4,254,747</u>	<u>\$ 273,705</u>
LIABILITIES				
Deposits From Others	\$ 12,620	\$ 35,184	\$ 31,502	\$ 16,302
Monies Held for Others	250,991	5,595,643	5,610,360	236,274
Due to Other Funds	--	84,912	84,912	--
Due to Other Governmental Agencies	22,878	722,361	724,110	21,129
Total Liabilities	<u>\$ 286,489</u>	<u>\$ 6,438,100</u>	<u>\$ 6,450,884</u>	<u>\$ 273,705</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	\$ 299,516	\$ 10,937,814	\$ 10,915,812	\$ 321,518
Cash/Cash Equivalents	--	89	--	89
Restricted Cash and Investments with Trustee	61,786	170,163	188,799	43,150
Investments	9,124	2,164	10,206	1,082
Deposits In-Lieu of Cash	11,348	672	361	11,659
Receivables				
Accounts	12	10	10	12
Taxes	288,029	15,082,816	15,078,326	292,519
Interest	6,888	45,832	46,036	6,684
Allowance for Uncollectible Receivables	(5)	2	--	(3)
Due from Other Funds	--	649,740	649,740	--
Due from Other Governmental Agencies	8,298	67,176	40,645	34,829
Prepaid Costs	--	23,220	23,220	--
Notes Receivable	17,828	6,743	259	24,312
Total Assets	<u>\$ 702,824</u>	<u>\$ 26,986,441</u>	<u>\$ 26,953,414</u>	<u>\$ 735,851</u>
LIABILITIES				
Interest Payable	\$ 5,125	\$ 24,808	\$ 25,191	\$ 4,742
Deposits from Others	12,620	35,184	31,502	16,302
Monies Held for Others	250,991	5,595,643	5,610,360	236,274
Due to Other Funds	--	84,912	84,912	--
Due to Other Governmental Agencies	23,308	750,877	753,055	21,130
Unapportioned Taxes	410,780	11,012,297	10,965,674	457,403
Total Liabilities	<u>\$ 702,824</u>	<u>\$ 17,503,721</u>	<u>\$ 17,470,694</u>	<u>\$ 735,851</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.

<u>Contents</u>	<u>Page</u>
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<u>Revenue Capacity</u> These schedules contain trend information to help the reader assess the County's most significant local revenue source, the property tax.	212
<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.	216
<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.	221
<u>Operating Information</u> These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	223

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 Ten Fiscal Years
 (Accrual Basis of Accounting)**

	2011-12	2010-11	2009-10	2008-09	2007-08
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 2,699,809	\$ 2,626,281	\$ 2,560,468	\$ 2,445,397	\$ 2,302,926
Restricted for:					
Expendable					
Other Postemployment					
Benefits	-- ⁽¹⁾	41,609	43,580	57,322	46,442
Pension Benefits	96,604	107,807	--	--	--
Capital Projects	16,269	56,219	58,947	85,197	211,426
Debt Service	--	87,253	76,936	66,515	168,468
Legally Segregated for Grants and Other Purposes	1,077,117	1,133,256	1,069,801	1,047,284	990,198
Nonexpendable					
Regional Park Endowment	319	315	154	149	139
Unrestricted	37,790	(73,741)	(9,986)	(1,271)	57,812
Total Governmental Activities Net Assets	\$ 3,927,908	\$ 3,978,999	\$ 3,799,900	\$ 3,700,593	\$ 3,777,411
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 574,982	\$ 591,664	\$ 537,375	\$ 493,658	\$ 395,227
Restricted for:					
Expendable					
Airport	58,149	50,899	48,225	176,225	218,293
Waste Management	82,205	84,070	86,943	284,943	294,068
Unrestricted ⁽²⁾	350,474	313,568	321,778	--	--
Total Business-Type Activities Net Assets	\$ 1,065,810	\$ 1,040,201	\$ 994,321	\$ 954,826	\$ 907,588
Primary Government					
Invested in Capital Assets, Net of Related Debt	3,274,791	\$ 3,217,945	\$ 3,097,843	\$ 2,939,055	\$ 2,698,153
Restricted for:					
Expendable					
Other Postemployment					
Benefits	--	41,609	43,580	57,322	46,442
Pension Benefits	96,604	107,807	--	--	--
Capital Projects	16,269	56,219	58,947	85,197	211,426
Debt Service	--	87,253	76,936	66,515	168,468
Legally Segregated for Grants and Other Purposes	1,077,117	1,133,256	1,069,801	1,047,284	990,198
Airport	58,149	50,899	48,225	176,225	218,293
Waste Management	82,205	84,070	86,943	284,943	294,068
Nonexpendable					
Regional Park Endowment	319	315	154	149	139
Unrestricted	388,264	239,827	311,792	(1,271)	57,812
Total Primary Government Net Assets	\$ 4,993,718	\$ 5,019,200	\$ 4,794,221	\$ 4,655,419	\$ 4,684,999

Note: (1) In FY 2011-12, it was determined that the Restricted Net Asset for Other Postemployment Benefits does not meet the definition of restriction and should be reported as unrestricted.

(2) In accordance with the GASB 2010-11 Comprehensive Implementation Guide, net assets for business-type activities have been reclassified in the government-wide statements to be consistent with the classification of net assets in the enterprise fund financial statements.

2006-07	2005-06	2004-05	2003-04	2002-03	
\$ 2,273,891	\$ 2,306,178	\$ 2,336,881	\$ 2,259,064	\$ 2,183,152	Governmental Activities
					Invested in Capital Assets, Net of Related Debt
					Restricted for:
					Expendable
					Other Postemployment Benefits
--	--	--	--	--	Pension Benefits
--	--	--	--	--	Capital Projects
247,277	255,201	240,768	207,838	209,994	Debt Service
155,918	121,840	24,196	155,964	61,066	Legally Segregated for Grants and Other Purposes
					Nonexpendable
916,563	738,515	648,092	628,881	711,714	Regional Park Endowment
125	109	97	91	87	Unrestricted
135,826	(33,051)	(44,929)	(280,592)	(374,852)	Total Governmental Activities
					Net Assets
<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>	
					Business-Type Activities
					Invested in Capital Assets, Net of Related Debt
					Restricted for:
					Expendable
					Airport
					Waste Management
					Unrestricted
\$ 359,544	\$ 343,390	\$ 335,795	\$ 315,335	\$ 293,959	Total Business-Type Activities
					Net Assets
194,038	146,332	113,402	97,573	77,931	
292,847	264,502	233,999	217,194	201,698	
--	--	--	--	--	
<u>\$ 846,429</u>	<u>\$ 754,224</u>	<u>\$ 683,196</u>	<u>\$ 630,102</u>	<u>\$ 573,588</u>	
					Primary Government
					Invested in Capital Assets, Net of Related Debt
					Restricted for:
					Expendable
					Other Postemployment Benefits
					Pension Benefits
					Capital Projects
					Debt Service
					Legally Segregated for Grants and Other Purposes
					Airport
					Waste Management
					Nonexpendable
					Regional Park Endowment
					Unrestricted
\$ 2,633,435	\$ 2,649,568	\$ 2,672,676	\$ 2,574,399	\$ 2,477,111	Total Primary Government
					Net Assets
--	--	--	--	--	
--	--	--	--	--	
247,277	255,201	240,768	207,838	209,994	
155,918	121,840	24,196	155,964	61,066	
916,563	738,515	648,092	628,881	711,714	
194,038	146,332	113,402	97,573	77,931	
292,847	264,502	233,999	217,194	201,698	
125	109	97	91	87	
135,826	(33,051)	(44,929)	(280,592)	(374,852)	
<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>	

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

	2011-12	2010-11	2009-10	2008-09	2007-08
Expenses					
Governmental Activities:					
General Government	\$ 161,615	\$ 223,710	\$ 165,489	\$ 268,092	\$ 264,049
Public Protection	1,231,925	1,174,859	1,160,823	1,230,894	1,164,458
Public Ways and Facilities	144,382	136,017	120,135	108,748	131,563
Health and Sanitation	593,657	586,525	578,983	593,331	576,160
Public Assistance	930,348	931,263	931,469	898,668	862,709
Education	41,226	39,788	41,009	41,265	37,728
Recreation and Cultural Services	102,762	101,993	90,649	81,896	75,612
Interest on Long-Term Debt	56,765	53,806	53,782	59,751	76,210
Subtotal Governmental Activities	<u>3,262,680</u>	<u>3,247,961</u>	<u>3,142,339</u>	<u>3,282,645</u>	<u>3,188,489</u>
Business-Type Activities:					
Airport	107,120	88,059	92,068	91,959	86,750
Waste Management	94,553	93,985	84,754	79,374	101,990
Compressed Natural Gas	306	349	95	--	--
Subtotal Business-Type Activities	<u>201,979</u>	<u>182,393</u>	<u>176,917</u>	<u>171,333</u>	<u>188,740</u>
Total Primary Government Expenses	<u>\$ 3,464,659</u>	<u>\$ 3,430,354</u>	<u>\$ 3,319,256</u>	<u>\$ 3,453,978</u>	<u>\$ 3,377,229</u>
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	\$ 26,942	\$ 33,561	\$ 27,452	\$ 44,782	\$ 40,659
Public Protection	271,423	310,773	278,355	289,014	295,740
Public Ways and Facilities	62,653	53,960	45,809	47,283	45,898
Health and Sanitation	86,027	93,815	86,430	82,059	95,069
Public Assistance	35,036	36,304	30,914	26,636	6,360
Education	1,437	1,576	1,449	1,338	1,349
Recreation and Cultural					
Cultural Services	38,888	37,560	38,223	40,138	40,449
Operating Grants and Contributions	1,800,296	1,706,231	1,741,762	1,641,501	1,735,820
Capital Grants and Contributions	39,010	170,516	16,828	94,031	46,308
Subtotal Governmental Activities	<u>2,361,712</u>	<u>2,444,296</u>	<u>2,267,222</u>	<u>2,266,782</u>	<u>2,307,652</u>
Business-Type Activities:					
Charges for Services					
Airport	129,213	124,298	126,656	125,095	126,139
Waste Management	99,249	102,595	82,442	93,456	99,548
Compressed Natural Gas	293	242	129	--	--
Operating Grants and Contributions	212	657	1,432	171	569
Capital Grants and Contributions	5,216	6,544	8,077	7,466	15,188
Subtotal Business-Type Activities	<u>234,183</u>	<u>234,336</u>	<u>218,736</u>	<u>226,188</u>	<u>241,444</u>
Total Primary Government Program Revenues	<u>\$ 2,595,895</u>	<u>\$ 2,678,632</u>	<u>\$ 2,485,958</u>	<u>\$ 2,492,970</u>	<u>\$ 2,549,096</u>

2006-07	2005-06	2004-05	2003-04	2002-03
\$ 281,739	\$ 227,536	\$ 171,771	\$ 170,820	\$ 193,192
1,055,593	972,996	947,698	905,229	892,817
96,776	105,342	77,928	78,454	74,561
527,541	467,640	455,059	447,743	441,047
794,862	773,109	740,987	731,698	740,794
32,722	40,452	30,641	31,978	29,108
80,279	72,535	73,530	76,249	70,273
65,961	64,680	81,841	78,474	53,853
<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>
90,524	84,362	79,882	78,235	75,770
85,378	76,771	87,533	70,858	79,217
--	--	--	--	--
<u>175,902</u>	<u>161,133</u>	<u>167,415</u>	<u>149,093</u>	<u>154,987</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>
\$ 45,647	\$ 38,645	\$ 38,977	\$ 30,569	\$ 35,668
283,215	275,703	279,241	256,253	247,228
41,014	42,483	34,884	44,728	33,516
85,305	79,493	78,686	68,778	73,438
5,372	4,709	3,794	3,436	4,607
4,743	1,353	1,795	1,156	6,072
39,028	34,974	32,882	31,219	30,622
1,759,887	1,605,063	1,540,938	1,532,106	1,545,050
69,340	18,178	66,889	55,337	509,839 ⁽¹⁾
<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>
127,747	101,775	95,562	90,657	83,330
111,362	114,239	114,541	112,498	107,858
--	--	--	--	--
691 ⁽²⁾	22,846	13,968	7,459	10,494
6,731	1,720	10,703	6,183	16,374
<u>246,531</u>	<u>240,580</u>	<u>234,774</u>	<u>216,797</u>	<u>218,056</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>

Expenses

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

Business-Type Activities:
 Airport
 Waste Management
 Compressed Natural Gas
 Subtotal Business-Type Activities
 Total Primary Government
 Expenses

Program Revenues

Governmental Activities:
 Charges for Services
 General Government
 Public Protection
 Public Ways and Facilities
 Health and Sanitation
 Public Assistance
 Education
 Recreation and Cultural
 Cultural Services
 Operating Grants and
 Contributions
 Capital Grants and
 Contributions
 Subtotal Governmental Activities
 Program Revenues

Business-Type Activities:
 Charges for Services
 Airport
 Waste Management
 Compressed Natural Gas
 Operating Grants and
 Contributions
 Capital Grants and
 Contributions
 Subtotal Business-Type Activities
 Program Revenues
 Total Primary Government
 Program Revenues

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) In FY 2006-07, the Unrestricted Investment Earnings were reclassified from Program Revenues to General Revenues for Business-Type Activities.

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

	2011-12	2010-11	2009-10	2008-09	2007-08
Net (Expense)/Revenue					
Governmental Activities	\$ (900,968)	\$ (803,665)	\$ (875,117)	\$ (1,015,863)	\$ (880,837)
Business-Type Activities	32,204	51,943	41,819	54,855	52,704
Total Primary Government					
Net Revenue/(Expense)	<u>\$ (868,764)</u>	<u>\$ (751,722)</u>	<u>\$ (833,298)</u>	<u>\$ (961,008)</u>	<u>\$ (828,133)</u>
General Revenue and Other					
Changes in Net Assets					
Governmental Activities:					
Taxes					
Property Taxes, Levied for General Fund	\$ 311,779	\$ 298,953	\$ 290,054	\$ 263,893	\$ 273,259
Property Taxes, Levied for Flood Control District	68,184	73,260	67,103	68,747	68,042
Property Taxes, Levied for OC Parks	51,168	51,554	49,857	51,076	50,551
Property Taxes, Levied for OC Public Libraries	37,389	37,590	37,057	37,932	37,454
Property Tax Increments	18,308	30,755	31,917	35,276	32,376
Property Taxes in-Lieu of Motor Vehicle License Fees	303,955	228,421	229,635	232,760	224,210
Other Taxes	43,568	83,938	93,024	94,184	84,434
Grants and Contributions Not Restricted to Specific Programs	9,377	27,457	10,299	27,637	23,434
State Allocation of Motor Vehicle License Fees	2,667	49,889	46,697	50,390	54,656
Unrestricted Investment Earnings	4,195	23,703	15,541	13,583	27,773
Miscellaneous	57,125	64,563	54,496	49,438	66,887
Gain on Sale of Capital Assets	34	--	--	--	--
Transfers	11,767	12,681	11,188	14,129	16,802
Subtotal Governmental Activities	<u>919,516</u>	<u>982,764</u>	<u>936,868</u>	<u>939,045</u>	<u>959,878</u>
Extraordinary Item					
Dissolution of Orange County Development Agency	(69,639) ⁽¹⁾	--	--	--	--
Business-Type Activities:					
Other Taxes	134	--	--	--	--
Unrestricted Investment Earnings	3,530	5,509	6,411	17,332	29,206
Miscellaneous Revenues	1,508	1,109	2,453	786	2,886
Special Items	--	--	--	--	(6,835)
Transfers	(11,767)	(12,681)	(11,188)	(14,129)	(16,802)
Subtotal Business-Type Activities	<u>(6,595)</u>	<u>(6,063)</u>	<u>(2,324)</u>	<u>3,989</u>	<u>8,455</u>
Total Primary Government	<u>\$ 843,282</u>	<u>\$ 976,701</u>	<u>\$ 934,544</u>	<u>\$ 943,034</u>	<u>\$ 968,333</u>
Change in Net Assets					
Governmental Activities	\$ (51,091)	\$ 179,099	\$ 61,751	\$ (76,818)	\$ 79,041
Business-Type Activities	25,609	45,880	39,495	58,844	61,159
Total Primary Government	<u>\$ (25,482)</u>	<u>\$ 224,979</u>	<u>\$ 101,246</u>	<u>\$ (17,974)</u>	<u>\$ 140,200</u>

2006-07	2005-06	2004-05	2003-04	2002-03	
\$ (601,922)	\$ (623,689)	\$ (501,369)	\$ (497,063)	\$ (9,605)	Net (Expense)/Revenue
70,629	79,447	67,359	67,704	63,069	Governmental Activities
					Business-Type Activities
					Total Primary Government
<u>\$ (531,293)</u>	<u>\$ (544,242)</u>	<u>\$ (434,010)</u>	<u>\$ (429,359)</u>	<u>\$ 53,464</u>	Net Revenue/(Expense)
					General Revenue and Other
					Changes in Net Assets
					Governmental Activities:
					Taxes
\$ 283,112	\$ 271,925	\$ 247,390 ⁽²⁾	\$ 211,944	\$ 180,671	Property Taxes, Levied for General Fund
63,209	53,662	49,295	47,677	45,397	Property Taxes, Levied for Flood Control District
46,965	39,869	37,504	35,450	33,761	Property Taxes, Levied for OC Parks
34,427	31,408	28,893	25,739	24,243	Property Taxes, Levied for OC Public Libraries
25,828	26,580	24,122	21,602	19,364	Property Tax Increments
206,933	158,240	141,319 ⁽²⁾	--	--	Property Taxes in-Lieu of Motor Vehicle License Fees
54,644	50,676	48,862	51,104	51,694	Other Taxes
					Grants and Contributions Not Restricted to Specific Programs
1,917	1,881	9,442	11,969	22,707	State Allocation of Motor Vehicle License Fees
58,487	56,873	54,325 ⁽²⁾	189,732	178,446	Unrestricted Investment Earnings
60,856	38,588	30,674	25,753	18,195	Miscellaneous
60,762	66,239	48,823	44,023	46,258	Gain on Sale of Capital Assets
31,460	--	--	--	--	Transfers
14,130	11,435	14,579	12,155	13,419	Subtotal Governmental Activities
<u>942,730</u>	<u>807,376</u>	<u>735,228</u>	<u>677,148</u>	<u>634,155</u>	Extraordinary Item
					Dissolution of Orange County Development Agency
--	--	--	--	--	
--	--	--	--	--	Business-Type Activities:
34,500 ⁽³⁾	--	--	--	--	Other Taxes
1,206	3,016	314	965	537	Unrestricted Investment Earnings
--	--	--	--	--	Miscellaneous Revenues
(14,130)	(11,435)	(14,579)	(12,155)	(13,419)	Special Items
21,576	(8,419)	(14,265)	(11,190)	(12,882)	Transfers
<u>\$ 964,306</u>	<u>\$ 798,957</u>	<u>\$ 720,963</u>	<u>\$ 665,958</u>	<u>\$ 621,273</u>	Subtotal Business-Type Activities
					Total Primary Government
					Change in Net Assets
\$ 340,808	\$ 183,687	\$ 233,859	\$ 180,085	\$ 624,550	Governmental Activities
92,205	71,028	53,094	56,514	50,187	Business-Type Activities
<u>\$ 433,013</u>	<u>\$ 254,715</u>	<u>\$ 286,953</u>	<u>\$ 236,599</u>	<u>\$ 674,737</u>	Total Primary Government

- Notes: (1) Extraordinary item results from dissolution of OCDA which is now reported as a private purpose trust fund.
(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.

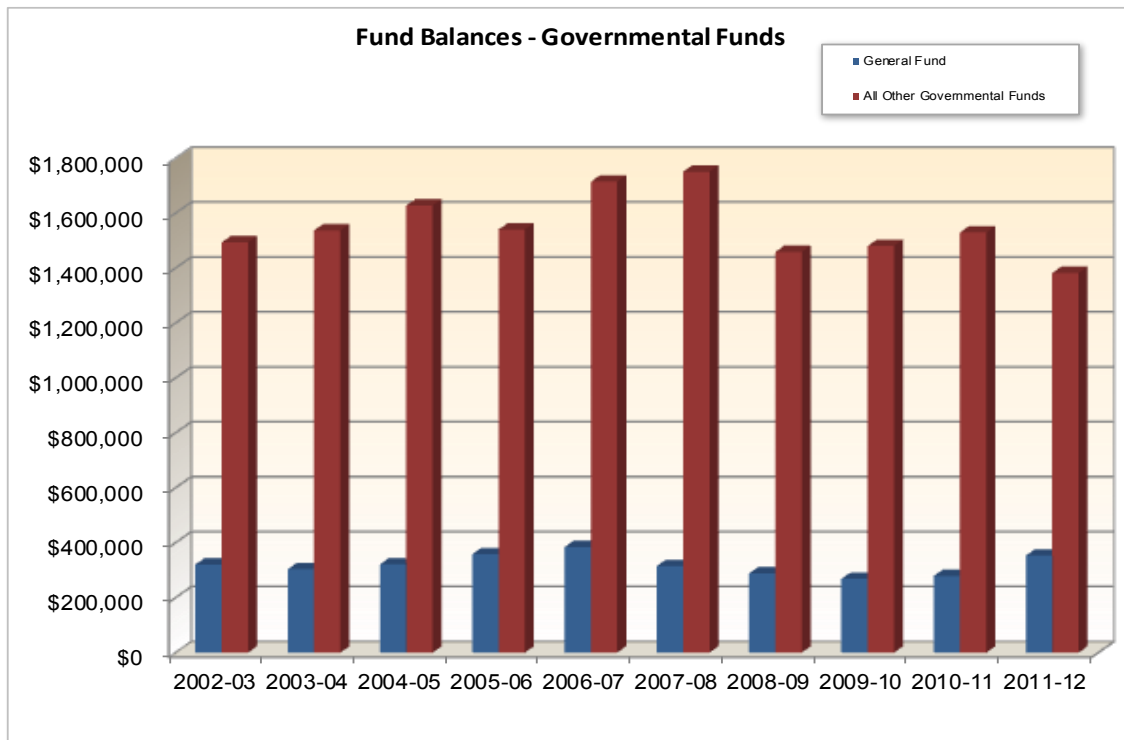
**Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)**

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
General Fund					
Reserved	\$ --	\$ --	\$ 53,190	\$ 49,423	\$ 99,877
Unreserved	--	--	215,094	238,621	215,096
Nonspendable*	225,460	266,328	--	--	--
Restricted*	26,336	10,872	--	--	--
Assigned*	100,448	1,394	--	--	--
Unassigned*	990	--	--	--	--
Total General Fund	\$ 353,234	\$ 278,594	\$ 268,284	\$ 288,044	\$ 314,973
All Other Governmental Funds					
Reserved	\$ --	\$ --	\$ 540,745	\$ 517,375	\$ 671,739
Unreserved, Reported in:					
Special Revenue Funds	--	--	894,148	878,113	880,288
Debt Service Funds	--	--	(1,813)	(9,903)	-
Capital Projects Funds	--	--	47,362	73,045	198,348
Permanent Fund	--	--	154	149	139
Nonspendable*	23,057	20,802	--	--	--
Restricted*	1,318,071	1,482,755	--	--	--
Assigned*	43,900	34,173	--	--	--
Unassigned*	(3,016)	(8,074)	--	--	--
Total All Other Governmental Funds	\$ 1,382,012	\$ 1,529,656	\$ 1,480,596	\$ 1,458,779	\$ 1,750,514

Fiscal Year				
2006-07	2005-06	2004-05	2003-04	2002-03
\$ 89,001	\$ 68,082	\$ 67,554	\$ 70,861	\$ 56,819
294,739	290,053	253,788	232,304	263,810
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ 383,740	\$ 358,135	\$ 321,342	\$ 303,165	\$ 320,629
\$ 626,134	\$ 594,090	\$ 657,214	\$ 603,438	\$ 606,227
838,291	694,973	616,943	626,323	703,493
17,456	5,323	122,873	110,042	1,354
232,317	245,770	230,474	197,047	182,493
125	110	97	91	87
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ 1,714,323	\$ 1,540,266	\$ 1,627,601	\$ 1,536,941	\$ 1,493,654

General Fund
 Reserved
 Unreserved
 Nonspendable*
 Restricted*
 Assigned*
 Unassigned*
Total General Fund

All Other Governmental Funds
 Reserved
 Unreserved,
 Reported in:
 Special Revenue Funds
 Debt Service Funds
 Capital Projects Funds
 Permanent Fund
 Nonspendable*
 Restricted*
 Assigned*
 Unassigned
Total All Other Governmental Funds



* Note: In accordance with GASB No. 54, which was implemented in FY 2010-11, the classification of fund balance was redefined.

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

	Fiscal Year				
	2011-12	2010-11	2009-10	2008-09	2007-08
Revenues					
Taxes	\$ 784,797	\$ 738,109	\$ 741,850	\$ 727,159	\$ 719,742
Licenses, Permits and Franchises	18,046	16,831	14,976	17,965	20,516
Fines, Forfeitures and Penalties	80,180	93,461	102,959	112,882	89,700
Use of Money and Property	81,088	89,514	88,350	69,667	146,983
Intergovernmental	1,846,311	1,745,066	1,769,253	1,697,017	1,743,637
Charges for Services	435,920	478,916	418,373	443,456	423,611
Contributions from Property Owners	--	--	--	--	--
Other	66,920	64,125	65,727	89,064	91,197
Total Revenues	3,313,262	3,226,022	3,201,488	3,157,210	3,235,386
Expenditures					
General Government	170,156	207,193	211,434	277,369	252,781
Public Protection	1,125,831	1,068,267	1,054,947	1,117,882	1,103,442
Public Ways and Facilities	126,809	110,789	106,985	110,548	117,963
Health and Sanitation	580,791	576,793	559,315	576,964	564,335
Public Assistance	909,296	911,704	903,733	878,436	851,836
Education	37,621	37,671	38,921	39,666	37,091
Recreation and Cultural Services	91,753	84,506	82,826	79,889	70,084
Capital Outlay	105,207	84,311	124,077	155,286	143,468
Debt Service					
Principal Retirement	95,429	87,685	88,962	205,268	301,066
Escrow Bond Agent	--	--	--	--	--
Interest	46,152	40,634	39,565	46,697	53,478
Debt Issuance Costs	--	--	--	--	--
Total Expenditures	3,289,045	3,209,553	3,210,765	3,488,005	3,495,544
Excess of Revenues Over (Under) Expenditures	24,217	16,469	(9,277)	(330,795)	(260,158)
Other Financing Sources (Uses)					
Transfers In	345,692	395,752	382,154	793,528	359,791
Transfers Out	(336,157)	(388,274)	(370,820)	(781,397)	(345,674)
Bonds Issued	10,000	36,000	--	--	--
Premium on Bonds Issued	2,927	--	--	--	--
Principal Payment on Demand Bonds	--	--	--	--	211,065
Refunding Bonds Issued	34,380	--	--	--	--
Payment to Refunded Bond Escrow	(40,491)	(710)	--	--	--
Provisions for Increase in Land Held for Resale	43	--	--	--	--
Capital Leases	--	133	--	--	2,400
Total Other Financing Sources	16,394	42,901	11,334	12,131	227,582
Extraordinary Loss	(113,615)	--	--	--	--
Net Change in Fund Balances	\$ (73,004)	\$ 59,370	\$ 2,057	\$ (318,664)	\$ (32,576)
Debt Service as a Percentage of Noncapital Expenditures:	4.44%	4.12%	4.18%	7.54%	10.43%

	Fiscal Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
\$	674,278	\$ 618,429	\$ 530,596	\$ 367,087	\$ 341,426
	23,289	18,011	19,767	15,867	15,730
	73,353	70,624	70,686	60,038	68,406
	165,042	100,207	112,592	95,360	117,443
	1,722,951	1,614,484	1,531,370	1,593,175	1,625,639
	406,071	386,332	379,216	360,719	345,609
	--	18,094	65,955	54,570	83,468
	104,046	90,721 ⁽¹⁾	268,174	215,343	137,677
	<u>3,169,030</u>	<u>2,916,902</u>	<u>2,978,356</u>	<u>2,762,159</u>	<u>2,735,398</u>
	204,585	303,827 ⁽¹⁾	356,883	293,679	221,977
	1,005,737	910,531	874,789	875,096	826,232
	90,683	95,161	71,075	70,740	68,523
	516,901	458,741	446,887	439,380	435,898
	788,326	664,723	731,100	723,079	724,443
	35,904	40,061	29,745	31,069	27,684
	73,386	67,776	67,411	66,606	67,654
	154,373	99,519	207,146	124,210	149,914
	191,012	67,602	61,503	69,476	61,176
	--	230,719	--	4,314	--
	58,586	57,028	67,134	67,699	71,921
	799	4,402	--	1,279	43
	<u>3,120,292</u>	<u>3,000,090</u>	<u>2,913,673</u>	<u>2,766,627</u>	<u>2,655,465</u>
	48,738	(83,188)	64,683	(4,468)	79,933
	298,138	245,441	244,551	303,456	281,927
	(288,045)	(239,834)	(239,314)	(295,587)	(269,537)
	32,700	--	--	--	--
	2,140	29,290	--	1,660	--
	105,991	--	--	--	--
	--	565,762	--	38,465	--
	--	(568,409)	--	(35,844)	--
	--	--	--	--	--
	--	396	38,917	18,142	2,817
	<u>150,924</u>	<u>32,646</u>	<u>44,154</u>	<u>30,292</u>	<u>15,207</u>
	--	--	--	--	--
\$	<u>199,662</u>	<u>\$ (50,542)</u>	<u>\$ 108,837</u>	<u>\$ 25,824</u>	<u>\$ 95,140</u>
	8.44%	12.40%	4.75%	5.40%	5.31%

Revenues

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

Expenditures

General Government
Public Protection
Public Ways and Facilities
Health and Sanitation
Public Assistance
Education
Recreation and Cultural Services
Capital Outlay
Debt Service
Principal Retirement
Escrow Bond Agent
Interest
Debt Issuance Costs
Total Expenditures
Excess of Revenues
Over (Under) Expenditures

Other Financing Sources (Uses)

Transfers In
Transfers Out
Bonds Issued
Premium on Bonds Issued
Principal Payment on Demand Bonds
Refunding Bonds Issued
Payment to Refunded Bond Escrow
Provisions for Increase in Land Held
for Resale
Capital Leases
Total Other Financing Sources
Extraordinary Loss
Net Change in Fund Balances

Debt Service as a Percentage
of Noncapital Expenditures:

Notes: (1) In FY 2005-06, the County eliminated the effect of intra-departmental billings and expenditures for annual required pension contribution. Prior years have not been restated.

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⁾
2011-12	\$ 310,211,002	\$ 96,431,670	\$ 2,848,162	\$ 20,634,672
2010-11	304,895,403	97,097,750	3,038,747	21,198,638
2009-10	302,855,181	100,686,715	2,814,952	21,516,171
2008-09	310,398,180	97,515,067	3,125,331	21,026,522
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

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

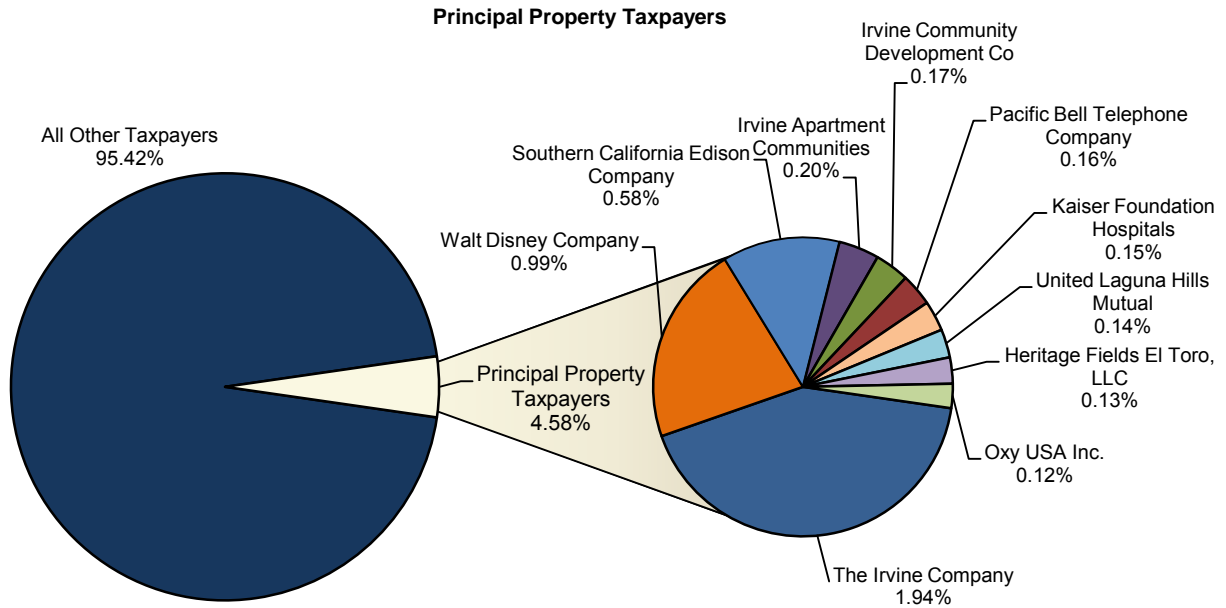
Total Taxable Assessed Value	Less: Exempt & Non-Reimbursed Exemptions	Net Taxable Assessed Value	Total Direct Tax Rate Percent ⁽¹⁾
\$ 430,125,506	\$ (9,729,486)	\$ 420,396,020	1.00
426,230,538	(9,452,472)	416,778,066	1.00
427,873,019	(9,063,739)	418,809,280	1.00
432,065,100	(8,051,290)	424,013,810	1.00
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

- 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, 2012 and June 30, 2003**

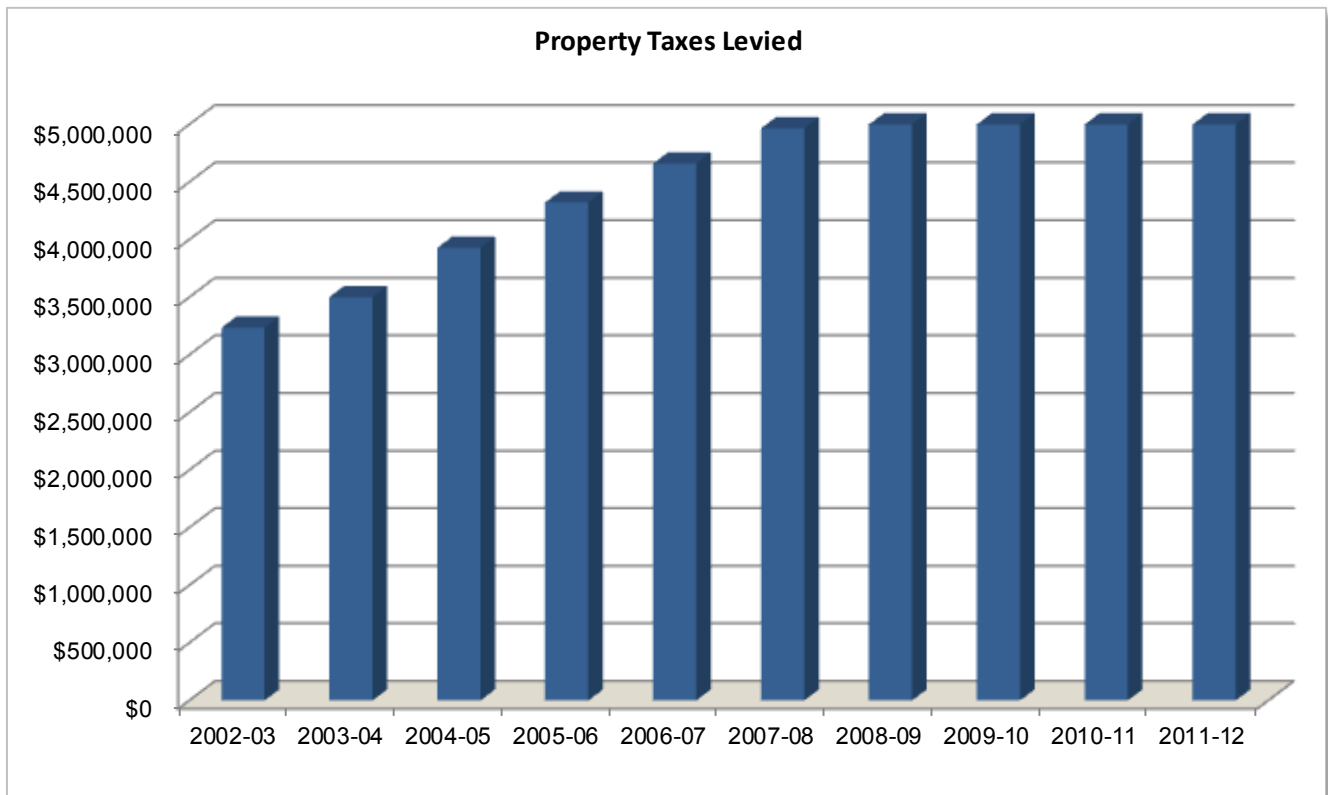
Taxpayer	2012			2003		
	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied	Actual Taxes Levied	Rank	Percentage of Total Taxes Levied
The Irvine Company	\$ 98,462	1	1.94%	\$ 43,395	1	1.52%
Walt Disney Company	50,122	2	0.99%	33,068	2	1.16%
Southern California Edison Company	29,544	3	0.58%	13,955	4	0.49%
Irvine Apartment Communities	9,946	4	0.20%	18,644	3	0.65%
Irvine Community Development Co	8,581	5	0.17%	4,103	9	0.14%
Pacific Bell Telephone Company	8,013	6	0.16%			
Kaiser Foundation Hospitals	7,510	7	0.15%			
United Laguna Hills Mutual	7,177	8	0.14%	5,403	6	0.19%
Heritage Fields El Toro, LLC	6,624	9	0.13%			
Oxy USA Inc.	6,003	10	0.12%			
SBC California				9,876	5	0.35%
Irvine Company of WVA				5,086	7	0.18%
McDonnell Douglas Corporation				4,354	8	0.15%
Total	\$ 231,982		4.58%	\$ 137,884		4.83%



Source: Treasurer-Tax Collector, County of Orange

**Property Tax Levies and Collections
Last Ten 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
2011-12	\$ 5,079,589	\$ 5,002,490	98.48%	\$ 82,720	\$ 5,085,210	100.11%
2010-11	5,045,802	4,960,748	98.31%	116,255	5,077,003	100.62%
2009-10	5,019,061	4,904,188	97.71%	177,318	5,081,506	101.24%
2008-09	5,076,796	4,901,574	96.55%	167,321	5,068,895	99.84%
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%



- Notes:
- (1) Total tax levy includes secured, supplemental, unsecured tax increment.
 - (2) Total tax collections are reported net of refunds and impounds.
 - (3) Total collections to date include 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 Ten Fiscal Years (in Thousands except Per Capita)
 (Accrual Basis of Accounting)**

Governmental Activities							
Fiscal Year	Refunding Recovery Bonds	Redevelopment Bonds ⁽²⁾	Certificates of Participation	Pension Obligation Bonds	Teeter Plan Revenue Bonds	Lease Revenue Bonds	Capital Lease Obligations ⁽³⁾
2011-12	\$ 51,600	\$ -	\$ 3,422	\$ 47,523	\$ --	\$181,097	\$ 71,755
2010-11	67,028	47,009	4,064	54,680	--	249,924	76,074
2009-10	81,619	49,729	4,758	59,331	--	309,517	80,114
2008-09	95,206	52,306	5,502	69,711	--	365,850	84,952
2007-08	108,175	54,750	6,306	72,728	123,725	420,668	90,769
2006-07	120,019	57,122	7,165	89,891	123,725	470,616	93,533
2005-06	131,420	58,994	8,092	99,714	123,725	486,020	101,546
2004-05	210,705	60,825	589,909	111,772	123,725	75,895	106,189
2003-04	225,870	62,955	619,394	116,772	123,725	80,862	71,712
2002-03	240,110	75,107	647,409	120,772	123,725	87,298	58,233

**Ratios of Outstanding Debt ⁽¹⁾ by Type
Last Ten 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 Personal Income ⁽⁴⁾	Per Capita ⁽⁴⁾	
\$ 248,900	\$ 13,666	\$ 617,963	0.39%	\$ 205	
256,683	19,921	775,383	0.51%	245	
264,099	25,738	874,905	0.59%	279	
33,502	31,144	738,173	0.48%	237	
89,897	36,177	1,003,195	0.65%	324	
101,925	40,881	1,104,877	0.77%	360	
113,156	45,272	1,167,939	0.88%	383	
123,544	49,386	1,451,950	1.16%	481	
133,051	53,232	1,487,573	1.26%	499	
140,129	56,883	1,549,666	1.39%	527	

- Notes:
- (1) Details regarding the County's outstanding debt can be found in Note 10, Short-Term Obligations and Note 11, Long-Term Obligations.
 - (2) Redevelopment Bonds are no longer County debt due to the dissolution of Redevelopment Agency on February 1, 2012. Details regarding the Redevelopment Bonds can be found in Note 11, Long-Term Obligations and Note 12, Conduit Debt Obligations.
 - (3) 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.
 - (4) See demographic and economic statistics schedule for personal income and population data. The personal income ratio and the debt per capita amounts are calculated using personal income and population for the prior fiscal year.

Source: Auditor-Controller, County of Orange

**Ratio of Net General Debt ⁽¹⁾ Outstanding
 Last Ten Fiscal Years (in Thousands except Per Capita)
 (Accrual Basis of Accounting)**

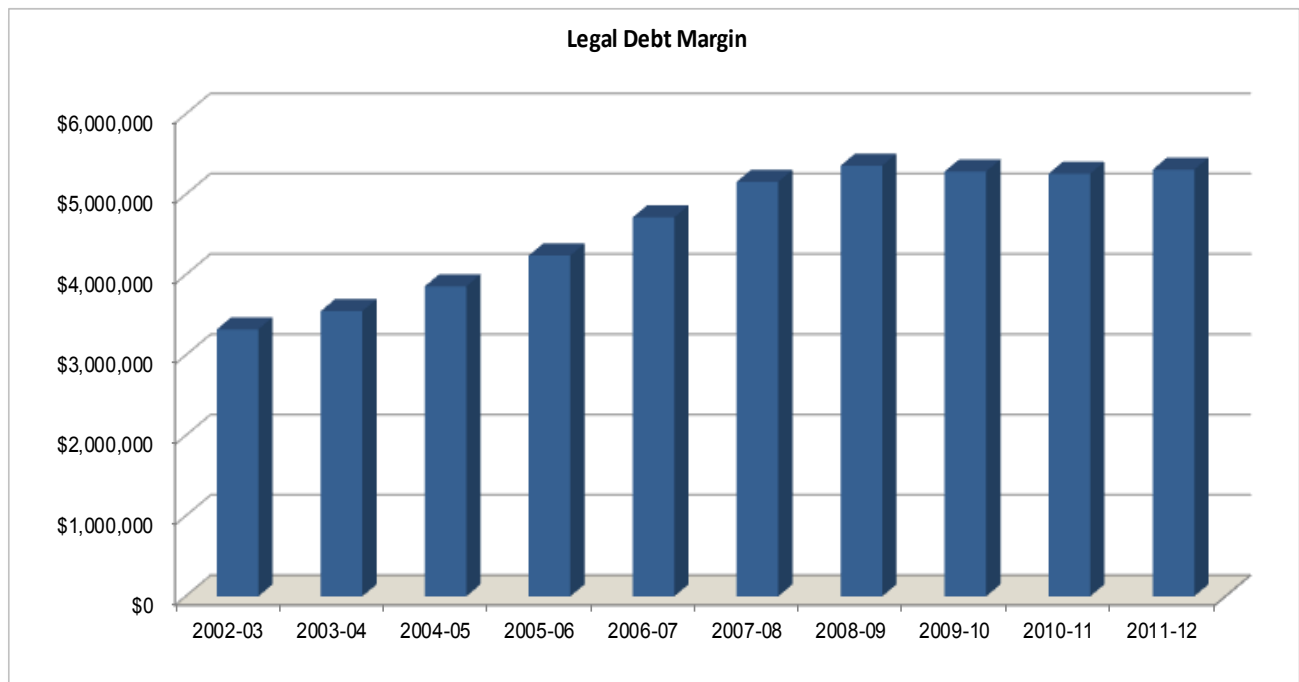
General Debt Outstanding						
Fiscal Year	Refunding Recovery Bonds	Pension Obligation Bonds	Restricted for Debt Payments	Total (Excess)/ Under	Percentage of Assessed Value	Per Capita ⁽²⁾
2011-12	\$ 51,600	\$ 47,523	\$ 47,523	\$ 51,600	0.01%	\$ 17
2010-11	67,028	54,680	54,680	67,028	0.02%	21
2009-10	81,619	59,331	59,331	81,619	0.02%	26
2008-09	95,206	69,711	69,711	95,206	0.02%	31
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

Notes: (1) Details regarding the County's outstanding debt can be found in Note 10, Short-Term Obligations and Note 11, Long-Term Obligations.
 (2) See demographic and economic statistics schedule for population data. The debt per capita amount is calculated using the 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
2011-12	\$ 424,769,642	\$ 5,309,621	\$ --	\$ 5,309,621	0%
2010-11	420,751,575	5,259,395	--	5,259,395	0%
2009-10	422,965,596	5,287,070	--	5,287,070	0%
2008-09	428,809,224	5,360,115	--	5,360,115	0%
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%



Note: 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 Ten Fiscal Years**

South Orange County Public Financing Authority

Funding Source: Interest Earnings, Rents and Concessions, and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011-12	\$ --	\$ 262	\$ (262)	\$ --	\$ --	--
2010-11	--	--	--	--	--	--
2009-10	--	--	--	--	--	--
2008-09	--	--	--	--	--	--
2007-08	--	--	--	--	--	--
2006-07	--	--	--	--	--	--
2005-06	--	--	--	--	--	--
2004-05	--	--	--	--	--	--
2003-04	--	--	--	--	--	--
2002-03	--	--	--	--	--	--

Public Facilities Corporation Bonds

Funding Source: Interest Earnings and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011-12	\$ 2,770	\$ --	\$ 2,770	\$ 642	\$ 1,958	1.07
2010-11	2,525	--	2,525	694	1,906	0.97
2009-10	2,743	--	2,743	744	1,861	1.05
2008-09	2,700	--	2,700	804	1,801	1.04
2007-08	2,789	--	2,789	859	1,741	1.07
2006-07	2,605	--	2,605	927	1,678	1.00
2005-06	2,234	--	2,234	992	1,615	0.86
2004-05	2,952	--	2,952	2,520	85	1.13
2003-04	2,278	2	2,276	3,960	293	0.54
2002-03	3,741	--	3,741	4,485	548	0.74

Orange County Public Financing Authority

Funding Source: Interest Earnings, Rents and Concessions, and Transfers

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011-12	\$ 35,697	\$ --	\$ 35,697	\$ 61,630	\$ 10,837	0.49
2010-11	74,725	--	74,725	58,990	13,643	1.03
2009-10	74,838	--	74,838	56,580	16,151	1.03
2008-09	77,027	--	77,027	56,225	18,385	1.03
2007-08	77,308	--	77,308	51,680	20,283	1.07
2006-07	76,162	2,137	74,025	52,050	21,656	1.00
2005-06	73,479	--	73,479	5,340	10,422	4.66
2004-05	8,910	--	8,910	5,170	3,747	1.00
2003-04	9,288	4	9,284	5,010	3,912	1.04
2002-03	9,988	--	9,988	4,550	4,369	1.12

Teeter Plan Obligation Commercial Paper Program Note

Funding Source: Penalties and Costs on Delinquent Taxes and Interest Earnings

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011-12	\$ 17,094	\$ 1,769	15,325	\$ --	\$ 267	57.40
2010-11	25,679	1,989	23,690	--	654	36.22
2009-10	35,113	2,203	32,910	--	917	35.89
2008-09	35,117	45,284	(10,167) ⁽¹⁾	--	1,170	(8.69)
2007-08	--	--	--	--	--	--
2006-07	--	--	--	--	--	--
2005-06	--	--	--	--	--	--
2004-05	--	--	--	--	--	--
2003-04	--	--	--	--	--	--
2002-03	--	--	--	--	--	--

Airport Revenue Bonds

Funding Source: Rents and Concessions, Other Charges for Services, Interest Earnings, Miscellaneous Revenue, and Available Passenger Facility Charge Revenue

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011-12	\$ 124,403	\$ 77,628	\$ 46,775	\$ 7,851	\$ 12,592	2.29
2010-11	120,088	70,521	49,567	7,460	12,906	2.43
2009-10	121,761	68,771	52,990	2,865	7,163	5.28
2008-09	115,026	67,749	47,277	13,480	4,567	2.62
2007-08	118,105	63,174	54,931	12,765	5,280	3.04
2006-07	117,879	82,383	35,496	12,120	6,249	1.93
2005-06	111,324	75,992	35,332	11,500	6,866	1.92
2004-05	99,621	70,459	29,162	10,780	7,401	1.60
2003-04	93,523	68,086	25,437	10,790	9,180	1.27
2002-03	86,304	64,390	21,914	10,360	9,736	1.09
2001-02	81,172	59,102	22,070	9,680	10,290	1.11

Waste Management Revenue Bonds

Funding Source: Sanitation Services and Interest Earnings

Fiscal Year	Gross Revenue	Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage
2011-12	\$ 101,815	\$ 75,556	\$ 26,259	\$ 6,306	\$ 885	3.65
2010-11	106,731	72,375	34,356	5,950	1,217	4.79
2009-10	88,283	64,524	23,759	5,620	1,527	3.32
2008-09	105,832	59,167	46,665	5,310	1,818	6.55
2007-08	120,309	82,884	37,425	5,030	2,176	5.19
2006-07	136,543	83,278	53,265	4,760	2,788	7.06
2005-06	130,475	73,578	56,897	4,515	3,068	7.50
2004-05	124,706	84,280	40,426	4,280	3,335	5.31
2003-04	118,004	66,946	51,058	4,080	3,535	6.70
2002-03	115,766	75,127	40,639	3,905	3,674	5.36
2001-02	115,873	68,035	47,838	3,730	3,853	6.31

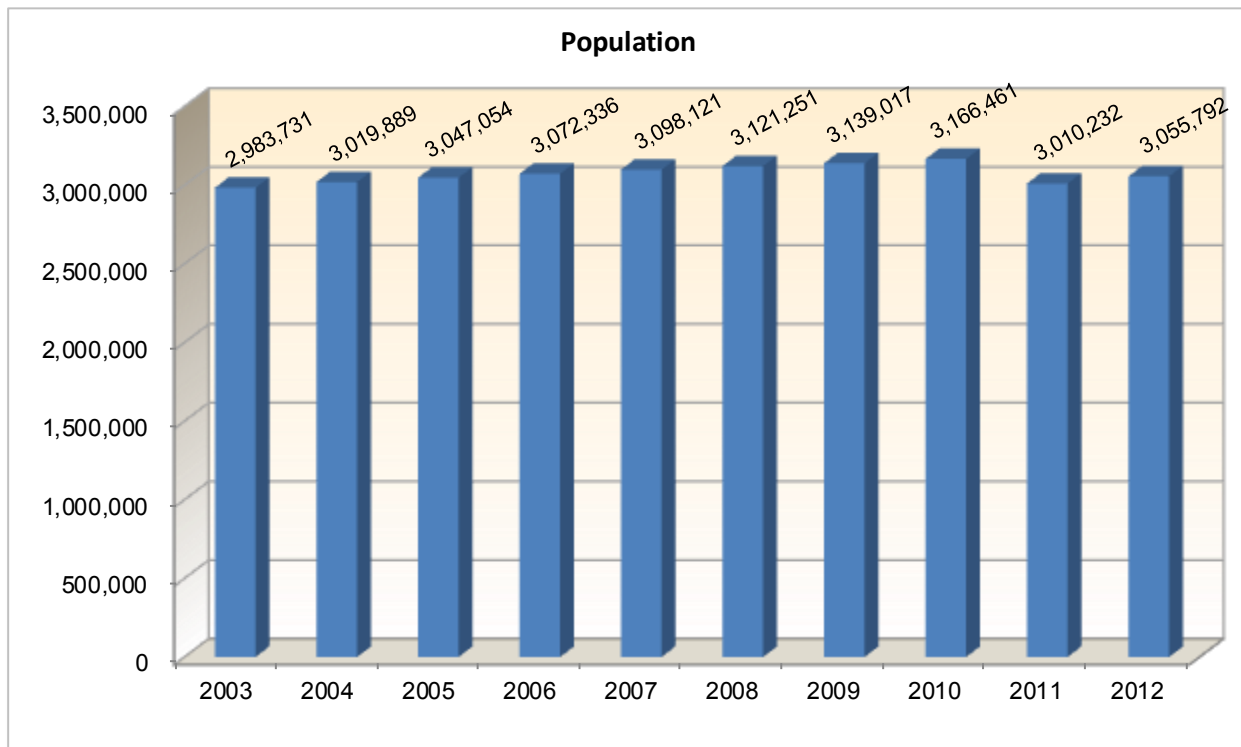
Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

(1) For FY 2008-09, there is a deficit balance for Net Available Revenue due to additional expenditures resulting from the establishment of the Teeter tax loss reserves in the Tax Loss Reserve Agency Fund during the first year of the program.

Source: Auditor-Controller, County of Orange

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

Year	Population ⁽¹⁾	Personal Income ⁽²⁾	Per Capita Personal Income (Absolute Dollars) ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment (In Thousands) ⁽⁴⁾	Unemployment Rate ⁽⁵⁾
2012	3,055,792	\$ 166,345,500	\$ 54,436	N/A	502,195	7.7%
2011	3,010,232	159,007,100	52,822	37.3	502,895	8.6%
2010	3,166,461	153,098,600	48,350	37.2	502,239	9.6%
2009	3,139,017	148,372,600	47,267	36.9	504,136	9.6%
2008	3,121,251	155,068,400	49,681	36.1	503,225	5.7%
2007	3,098,121	153,446,600	49,529	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%



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, 2008, 2009, and 2010 the source for personal income is from the Chapman University Economic & Business Review Volume 28 Number 2, June 2010. Personal income in 2010 is an estimate. In addition, per capita personal income for 2007, 2008, 2009 and 2010 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**

2011

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	22,000	1	1.37%
University of California, Irvine	21,291	2	1.33%
County of Orange	17,257	3	1.08%
St. Joseph Health System	12,048	4	0.75%
Boeing Co.	7,700	5	0.48%
Bank of America Corporation	6,300	6	0.39%
Yum Brands Inc.	6,300	7	0.39%
Kaiser Permanente	5,968	8	0.37%
Target Corporation	5,527	9	0.34%
Cedar Fair LP	5,200	10	0.32%

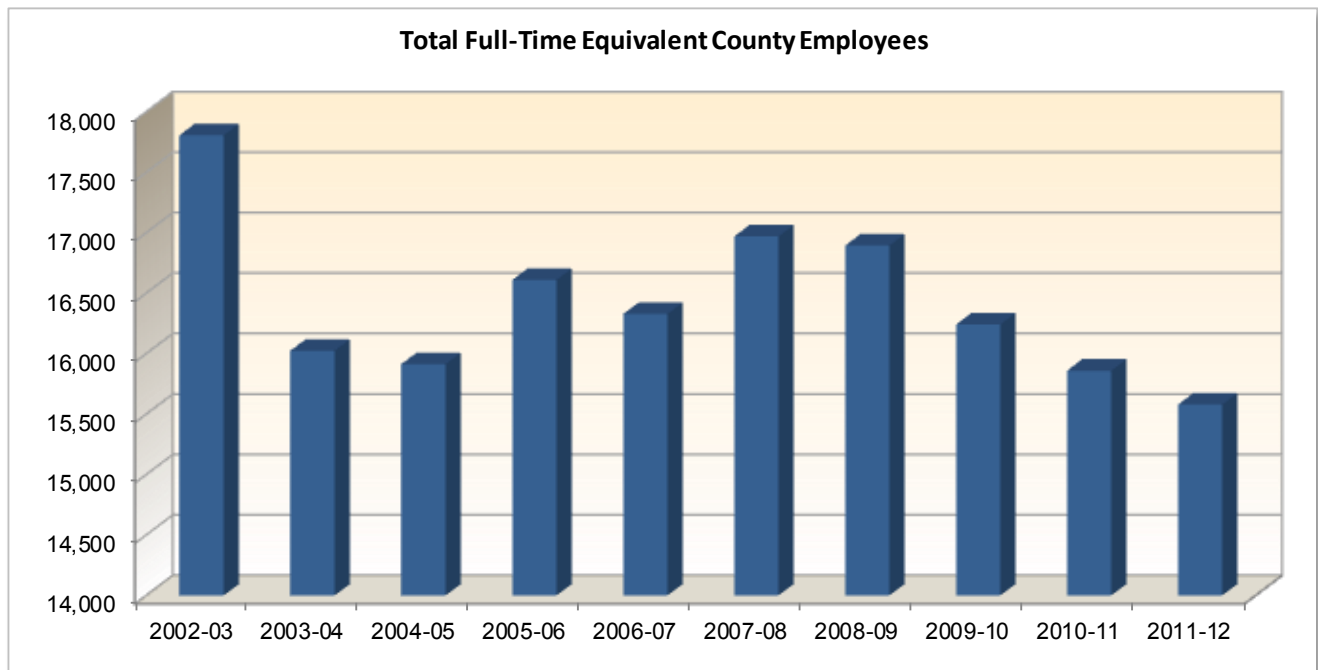
2003

Employer	Number of Employees	Rank	Percentage of Total County Employment
Walt Disney Co.	21,275	1	1.37%
County of Orange	17,741	2	1.14%
University of California, Irvine	14,981	3	0.96%
Boeing Co.	11,179	4	0.72%
Albertsons Inc.	9,500	5	0.61%
St. Joseph Health System	9,435	6	0.61%
Tenet Healthcare Corp.	8,389	7	0.54%
SBC Communications, Inc.	7,100	8	0.46%
Target Corp.	4,878	9	0.31%
BankAmerica Corp.	4,813	10	0.31%

Source: Orange County Business Journal, Book of Lists, November 28, 2011, for all employers other than the County; and Orange County CEO Budget Office, number of County employees, obtained from County of Orange, FY 2011-12 Fourth Quarter Budget Report, September 25, 2012

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

Function/Program	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04 ⁽¹⁾	2002-03
General Government	1,279	1,314	1,346	1,383	1,377	1,334	1,384	1,342	1,335	1,317
Public Protection	6,653	6,692	6,879	7,298	7,226	6,943	7,068	6,786	6,941	8,667
Public Ways and Facilities	542	569	585	622	621	579	598	544	532	500
Health and Sanitation	2,209	2,292	2,346	2,507	2,550	2,441	2,478	2,424	2,458	2,407
Public Assistance	3,867	3,935	4,023	4,000	4,123	3,992	4,029	3,787	3,728	3,946
Education	307	324	325	350	360	351	359	344	349	345
Recreation and Cultural Services	283	289	285	277	264	257	265	279	277	259
Airport	168	168	169	168	161	157	150	136	136	129
Waste Management	257	261	267	272	270	258	263	259	256	226
Orange County Children and Families Commission	13	14	16	17	17	16	15	12	12	10
Total Full-time Equivalent Employees ⁽²⁾	15,578	15,858	16,241	16,894	16,969	16,328	16,609	15,913	16,024	17,806



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 Seven Fiscal Years**

Function/Program	2011-12	2010-11	2009-10
<u>General Government</u>			
Auditor-Controller			
Property Tax Bills Prepared	1,153,816	1,189,320	1,144,933
Assessor			
Number of Real Property Valued	901,840	899,644	897,547
Number of Unsecured Property Assessed	159,464	161,005	168,208
New Parcels Created and Mapped	3,649	2,739	9,413
New Construction Events	17,129	9,372	13,172
County Executive Office			
Volunteer Program Service Hours	885,416	935,284	882,680
Clerk-Recorder			
Marriage Licenses Issued	22,415	20,868	20,292
Copies of Birth Certificates Issued	83,611	85,773	87,999
Property-Related Document Recordings	741,935	725,323	669,332
Treasurer-Tax Collector			
Orange County Investment Pool Return	\$ 17,977,637	\$ 22,295,390	\$ 35,656,277
Orange County Educational Investment Pool Return	\$ 15,493,079	\$ 18,572,657	\$ 35,449,102
Registrar of Voters			
Registered Voters	1,612,145	1,621,934	1,603,312
Highest Number of Ballots Cast	145,474	898,205	482,708
Elections Conducted	2	5	5
<u>Public Protection</u>			
Sheriff-Coroner			
Patrolled Cities Population	557,403	553,148	584,947
Patrolled Unincorporated Areas Population	119,698	121,488	120,088
Number of Bookings to Orange County Jail System	65,256	63,615	58,322
Average Daily Jail Head Count	6,265	5,721	5,171
District Attorney			
Defendants Prosecuted - Adult	61,759	64,418	64,969
Defendants Prosecuted - Juvenile	6,743	7,907	6,894
Probation			
Physical Arrests - Adult	2,307	1,926	1,822
Physical Arrests - Juvenile	467	488	685
Public Defender			
Cases Appointed Annually	73,487	77,661	76,191
<u>Recreation</u>			
OC Community Resources			
Exotic Invasive Plant Removal (acres)	4,042	629	61
Native Vegetation Restoration (acres)	994	2,448	82
New Open Space Management (acres)	--	--	--
Dana Point Harbor			
Slip and Dry Storage Tenants	2,237	2,748	2,750
Boat Launches	14,327	15,150	18,759
Sailing and Event Center Participants	111,959	108,070	83,738
Ocean Institute Students	110,059	125,000	125,060
Hotel Guests	36,800	26,972	25,252
Catalina Express Passengers	120,945	114,176	106,305
Special Events at the Harbor	16	16	16

2008-09	2007-08	2006-07	2005-06	Function/Program
<u>General Government</u>				
1,148,720	1,149,007	1,164,584	1,155,562	Auditor-Controller Property Tax Bills Prepared
888,770	881,233	872,439	859,112	Assessor Number of Real Property Valued
169,821	176,584	171,542	168,342	Number of Unsecured Property Assessed
9,185	10,252	14,760	13,800	New Parcels Created and Mapped
16,565	19,380	19,991	16,730	New Construction Events
839,125	675,285	923,689	1,021,153	County Executive Office Volunteer Program Service Hours
21,339	20,894	21,088	21,198	Clerk-Recorder Marriage Licenses Issued
98,231	117,226	120,817	99,792	Copies of Birth Certificates Issued
629,373	658,005	849,739	979,733	Property-Related Document Recordings
\$ 67,241,720	\$ 141,824,456	\$ 167,106,896	\$ 119,560,608	Treasurer-Tax Collector Orange County Investment Pool Return
\$ 61,318,814	\$ 131,796,036	\$ 150,134,812	\$ 106,373,702	Orange County Educational Investment Pool Return
1,607,989	1,566,951	1,497,397	1,491,009	Registrar of Voters Registered Voters
1,167,657	748,910	756,348	653,077	Highest Number of Ballots Cast
4	5	3	8	Elections Conducted
<u>Public Protection</u>				
581,109	575,909	571,648	571,456	Sheriff-Coroner Patrolled Cities Population
119,480	118,136	120,174	118,664	Patrolled Unincorporated Areas Population
61,778	64,596	66,869	67,062	Number of Bookings to Orange County Jail System
6,090	6,183	6,571	6,517	Average Daily Jail Head Count
70,058	69,507	74,010	71,094	District Attorney Defendants Prosecuted - Adult
7,740	9,076	8,763	7,670	Defendants Prosecuted - Juvenile
1,725	2,470	3,000	3,052	Probation Physical Arrests - Adult
595	1,051	1,363	1,421	Physical Arrests - Juvenile
83,029	79,052	83,299	79,785	Public Defender Cases Appointed Annually
<u>Recreation</u>				
1,475	*	30	15	OC Community Resources Exotic Invasive Plant Removal (acres)
144	*	13	0.5	Native Vegetation Restoration (acres)
--	250	--	--	New Open Space Management (acres)
2,836	2,932	2,932	2,932	Dana Point Harbor Slip and Dry Storage Tenants
19,903	22,247	22,159	19,719	Boat Launches
66,163	54,371	54,539	54,496	Sailing and Event Center Participants
126,957	116,218	149,220	136,926	Ocean Institute Students
28,650	26,940	29,580	28,366	Hotel Guests
111,648	114,000	114,708	114,567	Catalina Express Passengers
16	16	16	16	Special Events at the Harbor

* Means Not Available
Source: County Departments

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

Function/Program	2011-12	2010-11	2009-10
<u>Public Ways and Facilities</u>			
OC Public Works (OCPW)			
Building and Home Inspections	15,591	13,215	11,222
<u>Health and Sanitation</u>			
OC Community Resources			
Animal Licenses	200,755	173,570	176,123
Health Care Agency			
911 Emergency Medical Services Responses	168,172	156,638	158,863
Retail Food Facility Inspections Conducted	35,025	34,962	36,445
Hazardous Waste Inspections Conducted	5,444	6,237	6,600
Number of Home Visits by Public Health Nurses	32,498	29,260	30,091
Number of Low Income Children Dental Health Services	1,344	1,533	1,520
Number of Ocean Water Days of Closure (In Beach-Miles)	0.93	61	20
<u>Public Assistance</u>			
OC Community Resources			
Adult Day Care Hours of Service	70,267	93,425	92,964
Elderly Nutrition Program Meals Delivered	1,636,379	1,846,571	1,796,596
One-Way Transportation Trips Provided to Senic	184,476	287,611	213,832
Social Service Agency			
Average Medi-Cal Recipients	418,649	403,142	376,101
Average Monthly Child Abuse Hotline Calls	2,880	3,003	3,165
Average Monthly CalFresh (formerly Food Stamp) Recipients	213,919	185,489	150,141
Average Monthly In-Home Supportive Services	19,240	18,335	17,595
Average Persons Receiving Cash Assistance	56,847	58,770	53,214
Average Children in Foster Care/Relative Care	2,128	2,148	2,336
Average Elder and Adult Abuse Unduplicated Reports Received	630	604	598
<u>Education</u>			
Library			
Total Volumes Borrowed at Library Branches	6,741,380	7,796,954	7,629,378
<u>Airport</u>			
Passengers	8,642,116	8,611,054	8,812,169
Air Cargo Tonnage	16,831	15,150	14,870
Takeoffs & Landings	251,191	260,466	213,404
<u>Waste Management</u>			
Solid Waste Tonnage	3,304,643	3,495,649	3,502,715
Gallons of Leachate and Impacted Ground Water Collected	3,448,964	3,209,725	3,390,965

2008-09	2007-08	2006-07	2005-06	Function/Program
				<u>Public Ways and Facilities</u>
				OC Public Works (OCPW)
24,731	31,363	32,365	38,945	Building and Home Inspections
				<u>Health and Sanitation</u>
				OC Community Resources
158,202	155,875	166,137	167,340	Animal Licenses
				Health Care Agency
160,369	150,545	147,067	141,850	911 Emergency Medical Services Responses
33,146	33,451	31,475	31,216	Retail Food Facility Inspections Conducted
5,847	6,194	6,223	6,122	Hazardous Waste Inspections Conducted
29,505	30,447	38,245	42,646	Number of Home Visits by Public Health Nurses
				Number of Low Income Children Dental Health Services
979	660	1,055	993	Number of Ocean Water Days of Closure (In Beach-Miles)
26	11	3	19	
				<u>Public Assistance</u>
				OC Community Resources
101,732	89,584	76,005	85,116	Adult Day Care Hours of Service
1,725,058	1,736,877	1,606,272	1,665,392	Elderly Nutrition Program Meals Delivered
233,382	225,783	242,415	226,689	One-Way Transportation Trips Provided to Seniors
				Social Service Agency
343,222	326,506	317,771	316,949	Average Medi-Cal Recipients
3,242	3,427	3,049	2,782	Average Monthly Child Abuse Hotline Calls
				Average Monthly CalFresh (formerly Food Stamp) Recipients
109,491	88,284	82,132	79,487	Average Monthly In-Home Supportive Services
16,364	14,425	12,765	11,877	Average Persons Receiving Cash Assistance
44,115	38,840	38,790	40,886	Average Children in Foster Care/Relative Care
2,466	2,797	2,692	2,531	Average Elder and Adult Abuse Unduplicated Reports Received
531	549	509	444	
				<u>Education</u>
				Library
7,314,615	6,908,477	6,767,502	6,919,627	Total Volumes Borrowed at Library Branches
				<u>Airport</u>
8,552,590	9,566,043	9,910,016	9,600,753	Passengers
15,197	21,084	22,853	24,246	Air Cargo Tonnage
215,585	319,791	343,572	348,993	Takeoffs & Landings
				<u>Waste Management</u>
3,876,902	4,207,649	4,706,367	5,063,988	Solid Waste Tonnage
				Gallons of Leachate and Impacted Ground Water Collected
3,441,343	3,766,898	3,695,743	3,922,890	

Source: County Departments

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

Function/Program	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Government							
Auditor-Controller							
Hall of Finance and Records	1	1	1	1	1	1	1
Clerk-Recorder							
OC Archives Building	1	1	1	1	1	0	0
Registrar of Voters							
Vote by Mail Processing System	7	6	4	4	3	3	2
Trailer	1	1	1	1	1	1	1
Vehicle/Truck	3	3	3	3	3	2	2
Public Protection							
Probation Department							
Juvenile Institutions	5	5	5	5	6	6	5
District Attorney							
Justice Center Offices	5	5	5	5	6	6	6
Sheriff-Coroner							
Crime/Forensic Lab	1	1	1	1	1	1	1
Jail Facilities	3	3	3	3	3	3	3
Vehicles	838	844	844	859	855	777	646
Buses	11	13	13	13	12	14	16
Helicopters	2	2	2	2	2	3	3
Boats	9	5	5	5	5	3	3
Robot Andros	3	3	3	3	3	3	2
Haz-mat Vehicles	4	4	4	4	4	4	4
K-9 units	10	14	14	14	13	12	20
Public Assistance							
Social Service Agency							
Vehicles	10	10	8	7	8	7	7
Office Locations	20	19	20	21	27	27	30
Parks and Recreation							
OC Community Resources							
Park Land (acres)	57,688	57,688	39,490	39,490	32,000	32,000	32,000
Recreational Trails (in miles)	295	295	292	300	300	300	300
Zoo	1	1	1	1	1	1	1
Urban Regional Parks	12	12	12	12	12	12	12
Wilderness Parks	5	5	5	5	5	5	5
Nature Preserves	4	4	4	3	3	3	3
Harbors	2	2	2	2	2	2	2
Beaches	9	9	9	9	9	9	9
Historical Sites	7	7	7	7	7	7	7
Boats	21	15	14	14	15	9	17
Tractors	26	22	18	17	9	16	9
Trailers	30	24	20	17	15	21	15
Vehicles/Trucks	188	233	208	176	165	135	119
Dana Point Harbor							
Harbor	1	1	1	1	1	1	1
Marinas	2	2	2	2	2	2	2
Public Parking Areas	9	9	9	9	9	9	9

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

Function/Program	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<u>Parks and Recreation (Continued)</u>							
Dana Point Harbor (Continued)							
Beaches	1	1	1	1	1	1	1
Access Points to Ocean	6	6	6	6	6	6	6
Hotel	1	1	1	1	1	1	1
Ocean Education Center	1	1	1	1	1	1	1
Sailing and Events Center	1	1	1	1	1	1	1
Shops	25	25	25	26	26	26	26
Restaurants	16	15	16	15	15	15	15
Fuel Dock	1	1	1	1	1	1	1
Shipyards	1	1	1	1	1	1	1
Boater Service Buildings	15	15	15	15	15	15	15
Parcel 11 (Former Restaurant)	*	1	*	*	*	*	*
Parcel 23 (Dana Point Yacht Club)	*	1	*	*	*	*	*
<u>Public Ways and Facilities</u>							
OC Public Works							
Hall of Administration	1	1	1	1	1	1	1
Data Center	1	1	1	1	1	1	1
Alternate Fuel Vehicles	59	59	59	59	59	50	31
Vehicles/Trucks	50	50	50	47	47	48	34
OC Flood Control District							
Watersheds	13	19	11	11	11	13	13
Dams	3	3	3	3	3	3	3
Dump Trucks	5	13	13	13	14	14	14
Tractors	5	10	19	19	20	20	19
Trailers	12	15	14	14	13	13	13
Vehicles/Trucks	165	161	122	166	162	154	150
Roads							
Street Miles	320	320	320	320	320	317	312
Dump Trucks	11	9	1	8	8	8	8
Tractors	3	4	3	12	13	13	11
Trailers	5	9	11	14	14	14	12
Vehicles/Trucks	146	151	144	158	157	143	138
<u>Education</u>							
Library Branches	33	33	33	33	33	32	32
Library Headquarters	*	1	1	1	1	1	1
<u>Health</u>							
Public Health Services							
Public Health Laboratory	1	1	1	1	1	1	1
Water Quality Laboratory	1	1	1	1	1	1	1
Public Health Clinics	1	1	1	1	11	11	15
Trailers	1	1	1	2	2	2	*
Behavioral Health Services							
Behavioral Health Clinics	2	1	1	1	32	20	*
Vehicles/Trucks	15	15	15	14	20	20	*
Trailers	1	1	1	1	1	1	*
Regulatory Health Services							
Vehicles/Trucks	6	5	5	7	45	45	*
Haz-mat Truck	1	1	1	1	1	1	*
Medical and Institutional Health Services							
Clinics	1	--	--	--	6	6	*
Health Disaster Management							
Vehicles/Trucks	2	6	5	3	2	2	*
Trailers	24	24	24	22	21	21	*
Forklifts	1	1	1	2	1	1	*

* Means Not Available

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

Function/Program	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
<u>Health (Continued)</u>							
OC Community Resources							
Animal Care Center	1	1	1	1	1	1	1
Trailers	3	3	3	3	2	2	*
<u>Airport</u>							
Acres	501	501	501	501	501	501	501
Runways	2	2	2	2	2	2	2
Public Parking Structures/Lots	5	5	5	5	5	5	5
Terminals	3	1	1	1	1	1	1
Fire Trucks	4	4	4	4	4	4	4
<u>Waste Management</u>							
Active Landfills	3	3	3	3	3	3	3
Inactive Landfills	2	2	2	2	2	2	2
Household Hazardous Waste Collection Centers	4	4	4	4	4	4	4
Dozers	8	8	10	10	10	12	15
Dump Trucks	12	14	14	14	14	14	4
Loaders	21	22	21	21	21	21	12
Scrapers	8	11	13	13	15	15	10
Excavator	2	2	--	--	--	--	--
Tractors	29	29	29	28	27	26	34
Graders	4	4	3	6	5	5	5
Compactors	8	8	5	5	6	5	8
Water/Fuel Trucks	11	11	12	13	12	12	12

* Means Not Available
 Source: County Departments

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