

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, 2011. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides a clear picture of the County’s overall financial status. Unless otherwise indicated, all amounts in this section are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$224,979, or 5% as compared to last year.
- Long-term debt decreased by \$95,482, or 12% during the current fiscal year.
- The County’s governmental funds reported combined ending fund balances of \$1,808,250, an increase of \$59,370, or more than 3% in comparison with the prior year.
- General Fund revenues and other financing sources ended the year 13% below budget.
- General Fund expenditures and other financing uses ended the year 16% 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 2010-11, an increase of \$179,099 in net assets in the government-wide financial statements was reported, and an increase of \$59,370 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, 2011, the County's combined net assets (governmental and business-type activities) totaled \$5,019,200, an increase of 5% from FY 2009-10.

The largest component of the County's net assets (64%) was **invested in capital assets, less any related outstanding debt** used to acquire those assets. 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 \$1,561,428 which represents 31% 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, 2011, governmental activities showed a \$73,741 deficit in unrestricted net assets, compared to a deficit of \$9,986 in FY 2009-10. The deficit in unrestricted net assets is primarily the result of the County's bankruptcy related debt, and is not a reflection of the County's lack of resources to meet its ongoing obligations to the citizens and creditors. Additionally, in conformance with GAAP, 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, 2011						
	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
ASSETS						
Current and other assets	\$ 3,068,335	\$ 2,725,572	\$ 803,587	\$ 894,078	\$ 3,871,922	\$ 3,619,650
Capital assets	2,693,774	2,634,116	789,589	653,768	3,483,363	3,287,884
Total Assets	5,762,109	5,359,688	1,593,176	1,547,846	7,355,285	6,907,534
LIABILITIES						
Long-term liabilities	1,029,877	1,087,441	458,820	466,356	1,488,697	1,553,797
Other liabilities	753,233	472,347	94,155	87,169	847,388	559,516
Total Liabilities	1,783,110	1,559,788	552,975	553,525	2,336,085	2,113,313
NET ASSETS						
Invested in capital assets, net of related debt	2,626,281	2,560,468	591,664	537,375	3,217,945	3,097,843
Restricted	1,426,459	1,249,418	134,969	135,168	1,561,428	1,384,586
Unrestricted	(73,741)	(9,986)	313,568	321,778	239,827	311,792
Total Net Assets	\$ 3,978,999	\$ 3,799,900	\$ 1,040,201	\$ 994,321	\$ 5,019,200	\$ 4,794,221

As of June 30, 2011, the County's total assets increased by 6% or \$447,751 during the current fiscal year. Current and other assets increased by \$252,272 (7%) due primarily to the prepaid cost resulting from the County's prepayment of the FY 2011-12 annual required contribution. Refer to Note 4, Deposits and Investments; Note 10, Short-Term Obligations; and Note 18, Retirement Plans for additional information regarding the 2011 Pension Obligation Bonds (2011 POBs) and the prepayment of the FY 2011-12 pension obligation. Capital assets increased by \$195,479 (6%), which can be primarily attributed to construction for the Airport Improvement Program and the donation of 20,000 acres of open space land from the Irvine Company to OC Parks.

Total liabilities for FY 2010-11 increased by 11% or \$222,772. Other liabilities increased by \$287,872 (51%), mostly due to the March 15, 2011 issuance of the County's 2011 POBs in the principal amount of \$275,920. The retirement of long-term debt obligations in FY 2010-11 contributed to the decrease in long-term liabilities of \$65,100 (4%). 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, 2011						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program Revenues:						
Charges for Services	\$ 567,549	\$ 508,632	\$ 227,135	\$ 209,227	\$ 794,684	\$ 717,859
Operating Grants and Contributions	1,706,231	1,741,762	657	1,432	1,706,888	1,743,194
Capital Grants and Contributions	170,516	16,828	6,544	8,077	177,060	24,905
General Revenues:						
Property Taxes	492,112	475,988	--	--	492,112	475,988
Property Taxes in Lieu of Motor Vehicle License Fees	228,421	229,635	--	--	228,421	229,635
Other Taxes	83,938	93,024	--	--	83,938	93,024
Grants and Contributions not Restricted to Specific Programs	27,457	10,299	--	--	27,457	10,299
State Allocation of Vehicle Motor License Fees	49,889	46,697	--	--	49,889	46,697
Other General Revenues	88,266	70,037	6,618	8,864	94,884	78,901
Total Revenues	3,414,379	3,192,902	240,954	227,600	3,655,333	3,420,502
EXPENSES						
General Government	223,710	165,489	--	--	223,710	165,489
Public Protection	1,174,859	1,160,823	--	--	1,174,859	1,160,823
Public Ways and Facilities	136,017	120,135	--	--	136,017	120,135
Health and Sanitation	586,525	578,983	--	--	586,525	578,983
Public Assistance	931,263	931,469	--	--	931,263	931,469
Education	39,788	41,009	--	--	39,788	41,009
Recreation and Cultural Services	101,993	90,649	--	--	101,993	90,649
Interest on Long-Term Debt	53,806	53,782	--	--	53,806	53,782
Airport	--	--	88,059	92,068	88,059	92,068
Waste Management	--	--	93,985	84,754	93,985	84,754
Compressed Natural Gas	--	--	349	95	349	95
Total Expenses	3,247,961	3,142,339	182,393	176,917	3,430,354	3,319,256
Excess before Transfers	166,418	50,563	58,561	50,683	224,979	101,246
Transfers	12,681	11,188	(12,681)	(11,188)	--	--
Increase in Net Assets	179,099	61,751	45,880	39,495	224,979	101,246
Net Assets - Beginning of the Year	3,799,900	3,738,149	994,321	954,826	4,794,221	4,692,975
Net Assets - End of the Year	\$ 3,978,999	\$ 3,799,900	\$ 1,040,201	\$ 994,321	\$ 5,019,200	\$ 4,794,221

As of June 30, 2011, the County's net assets increased by \$224,979 during the current fiscal year. Revenues for the year totaled \$3,655,333, an increase of \$234,831 from the previous year, and expenses totaled \$3,430,354, an increase of \$111,098 from prior year's total expenses.

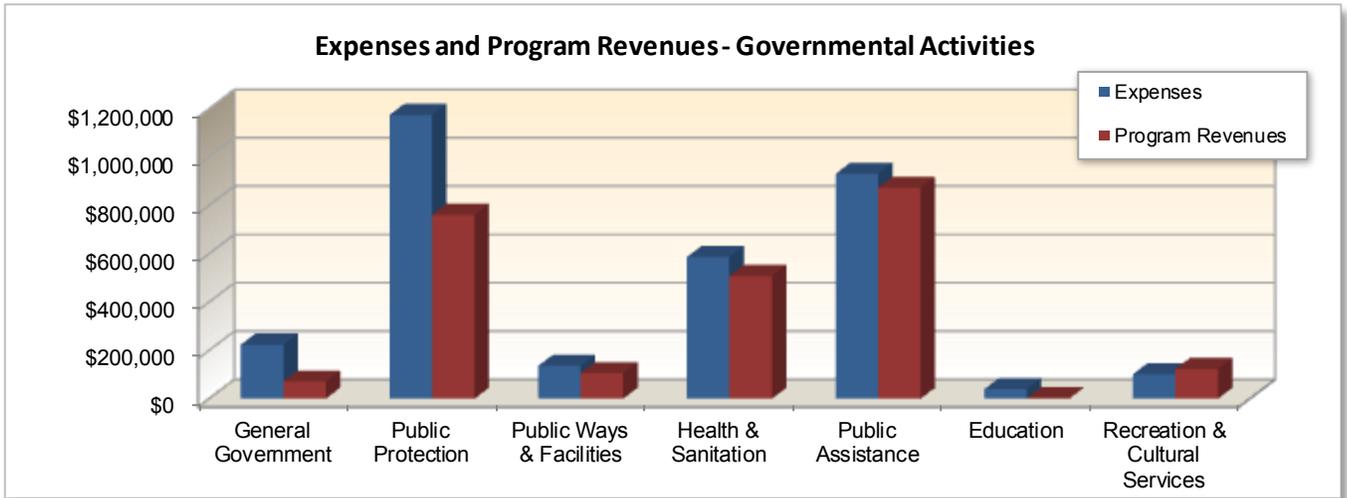
Governmental Activities

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.

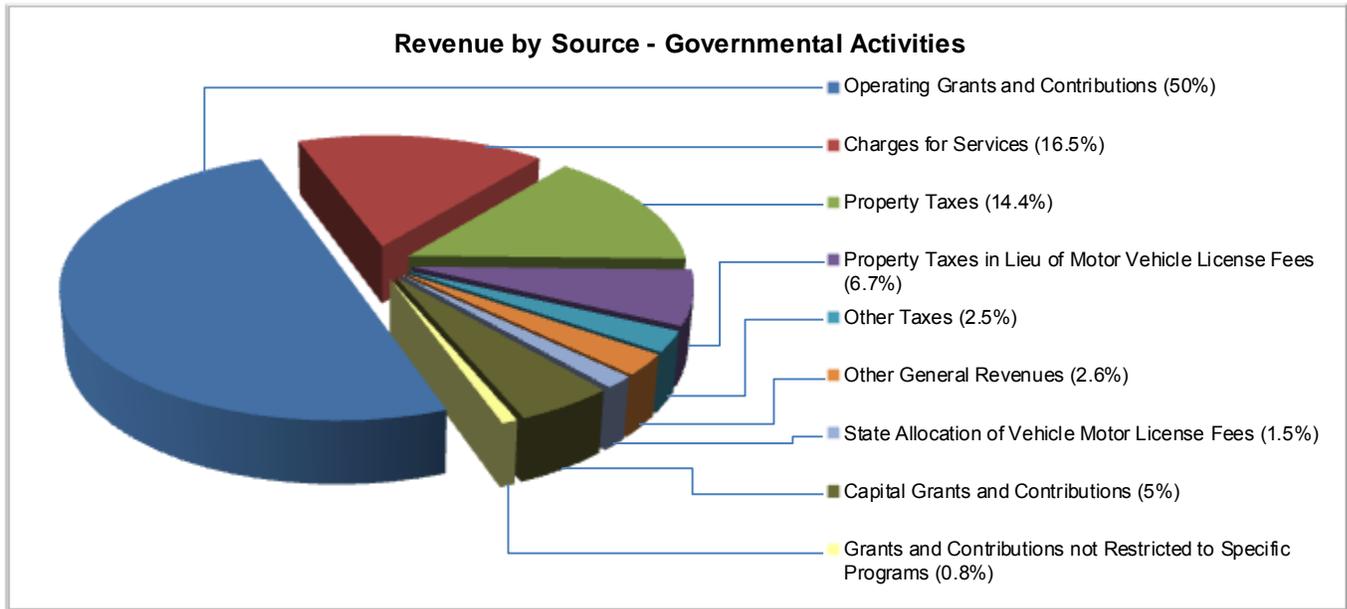
At the end of FY 2010-11, total revenues for governmental activities, including transfers from the business-type activities, were \$3,427,060, an increase of \$222,970 from the previous year. Expenses totaled \$3,247,961, an increase of \$105,622 from the prior year. Governmental activities increased the County's net assets by \$179,099, accounting for a majority of the total increase in the net assets of the County. In addition to the effects of grants, key elements of the increase are as follows:

- Capital grants and contributions increased by \$153,688 due primarily to the donation of 20,000 acres of open space land to OC Parks from the Irvine Company and an increase State reimbursements for construction expenses for the Santa Ana River Mainstem Project.
- Charges for services increased by \$58,917 due primarily to an agreement with the U.S. Immigration and Customs Enforcement (ICE) to house detainees for a fee. Additional contributing factors include (1) reimbursements of expenses for Oso Parkway construction projects from Community Facilities District funds, (2) the recognition of developer's deposits for the Coastal Area Improvement & Traffic Signals Fee Program and the Foothill Circulation Phasing Plan Road Fee Program for the completion of various projects, (3) an increase in reimbursements for program costs related to mental health services, and (4) reimbursement of the November 2, 2010, General Election.
- Offsetting the general increase in revenues was an overall decline in operating grants and contributions of \$35,531. The primary factor contributing to this decrease is the decline in revenues for road funds due to the FY 2009-10 final receipt of Proposition 1B – Local Streets and Roads allocations from the State.
- Despite a general decline in regular salaries due to an overall decrease in adopted positions and higher vacancy factors versus prior year, salaries and employees benefits (S&EB) increased by \$29,020, with \$15,923 occurring in public protection. Significant factors, which attributed to the overall increase in S&EB include increases in overtime usage to backfill vacant positions, retirement rates, health insurance rates due to medical inflation, and Workers' Compensation rates for program participants.
- An increase in depreciation expense of \$34,490 to account for the depreciation of certain capital assets which was not recorded in FY 2009-10 due to several issues experienced with the implementation of the capital asset module for the Countywide Accounting and Personnel System (CAPS+) in FY 2009-10.
- An increase of \$58,221 in expenses for general government due primarily to recording a bad debt expense for SB 90 mandated cost reimbursements, which are not expected to be received from the State.
- An increase of \$14,036 in expenses for public protection due primarily to the aforementioned increase in S&EB, which was partially offset by a decline in professional services.
- An increase of \$11,344 in expenses for recreation and cultural services resulting from an increase in depreciation expense and for the write-off of maintenance costs related to the dredging of Newport Dunes and Dana Point Harbor, which were initially capitalized as construction in progress.

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

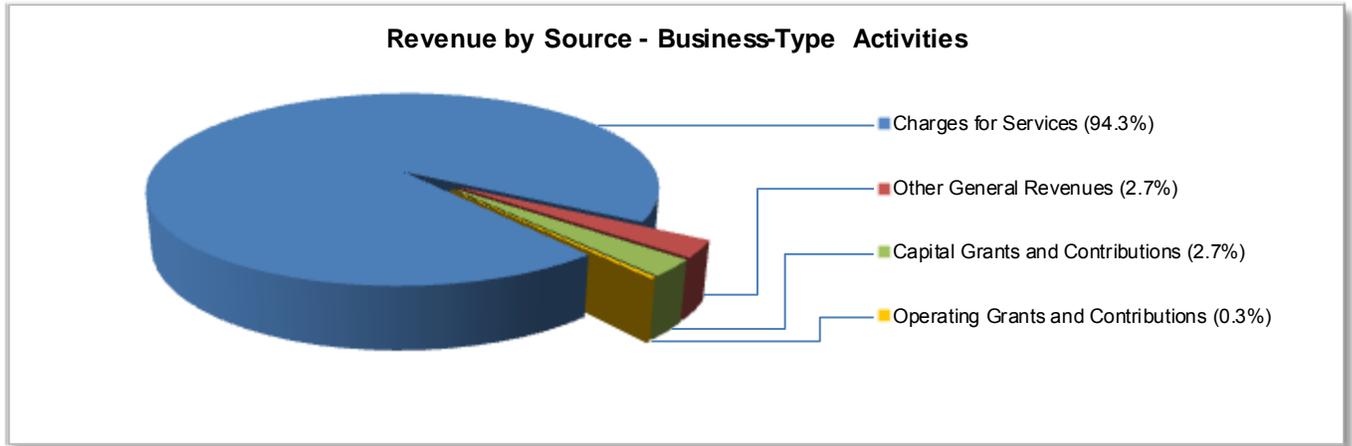


The chart below presents the percentage of total revenues by source for governmental activities:



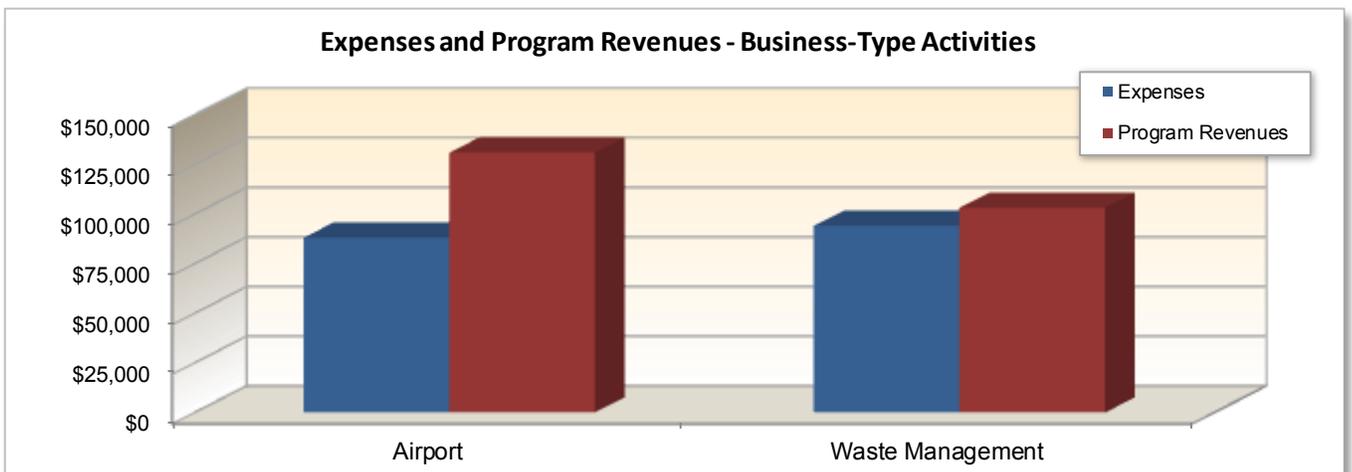
Business-Type Activities

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 2010-11, the business-type activities' total revenues exceeded expenses resulting in an increase in net assets of \$45,880 compared to the prior year's increase of \$39,495. Revenues totaled \$240,954, an increase of \$13,354 from the previous fiscal year, which is primarily attributable to an increase of \$17,908 in charges for services due to an increase in the amount of landfill disposal fees collected based upon negotiated waste disposal agreements providing for a higher disposal rate. Expenses, including transfers to governmental activities, totaled \$195,074, representing an increase of \$6,969 from the previous year. Waste Management experienced a \$9,231 increase in expenses due primarily to an increase in pollution remediation costs for the former Forster refuse disposal station and an increase in landfill site closure/postclosure care costs. This increase was partially offset by a decrease in contributions to other non-County governmental agencies as a result of FY 2009-10 contributions to the City of Brea for the extension of operation and expansion of the Olinda Alpha Landfill. Airport experienced a decrease in expenses of \$4,009 due to a decrease in depreciation expense. 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, 2011, the County's governmental funds reported total fund balances of \$1,808,250 which is an increase of \$59,370 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, 2011						
	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances	
	2011	2010	2011	2010	2011	2010
General Fund	\$ 2,635,546	\$ 2,583,986	\$ 2,657,400	\$ 2,603,746	\$ (21,854)	\$ (19,760)
Roads	72,467	99,578	91,180	73,783	(18,713)	25,795
Flood Control District	144,820	110,382	93,370	142,983	51,450	(32,601)
Other Public Protection	66,781	59,260	53,192	68,909	13,589	(9,649)
Teeter Plan Obligation Commercial Paper Program Note	25,679	35,113	30,643	23,120	(4,964)	11,993
Other Governmental *	712,614	695,323	672,752	669,044	39,862	26,279
Total	\$ 3,657,907	\$ 3,583,642	\$ 3,598,537	\$ 3,581,585	\$ 59,370	\$ 2,057

* In FY 2010-11, the activities of OC Dana Point Harbor have been separated from OC Parks and each fund has been reclassified as nonmajor Other Governmental Funds.

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 2010-11, expenditures and other financing uses exceeded revenues and other financing sources resulting in a decrease in fund balances of \$21,854 compared to last year's decrease in fund balances of \$19,760. Revenues and other financing sources increased by \$51,560 and expenditures and other financing uses increased by \$53,654 resulting in a net change in fund balances of \$2,094 from the prior year. The following is a brief summary of the primary factors which contributed to the decrease in the net change in fund balances for the General Fund in FY 2010-11:

- Intergovernmental revenues increased by \$26,404, which comprised (1) an increase in State allocations of the one-half cent Proposition 172 Public Safety Sales Tax funds over prior year, (2) an increase in State and Federal allocations of public assistance for the CalFresh (Food Stamps) program, Child Welfare Services, and CalWORKs due to increased caseloads, and (3) an increase in Federal revenues for programs administered by

the Office on Aging. This increase in revenues was offset by a decline in Federal Coverage Initiative funds due to the timing of current year receipts and prior year receipts.

- Charges for services increased by \$48,444. The agreement with ICE to house detainees for a fee and an increase in trial court funding for court security services were the primary factors contributing to this increase. Additionally, reimbursement for the May 19, 2009, Statewide Special Election was received from the State, and reimbursements were recognized from Neighborhood Development and Preservation Project funds for costs related to the Community Stabilization Program.
- Offsetting the overall increase in revenues was a general decline of \$27,966 in transfers to the General Fund of various purpose-restricted monies. A primary contributing factor to this decline was the deferral of equipment replacement, maintenance, and construction projects, which resulted in a decrease in transfers from State Criminal Alien Assistance Program (SCAAP) funds and Sheriff-Coroner construction and facility development funds. In addition, a final drawdown of bond proceeds for construction expenditures related to the Cogeneration Plant project at the Central Utility Facility and a transfer from the Designated Special Revenue fund to cover costs of the June 8, 2010, Primary Election occurred in FY 2009-10. A rise in transfers of Mental Health Service Act funds and delinquent penalties and interest from the Teeter Plan Obligation Commercial Paper Program partly offset the decline in transfers.
- A general increase in salaries and employees benefits (S&EB) of \$35,918 was experienced in most governmental functions, despite an overall decrease in salaries and wages of \$13,622 due to a decrease in adopted positions and higher vacancy factors relative to FY 2009-10. Increases in overtime usage to backfill vacant positions, retirement rates, health insurance rates due to medical inflation, and Workers' Compensation rates for program participants were significant factors prompting the increase in S&EB.
- Expenditures for public protection increased by \$23,436, which is primarily attributable to an increase in S&EB and professional service expenditures due to the transition of the operating budget and related expenditures and revenues for Building and Safety to the General Fund from an *Other Public Protection* special revenue fund.
- Expenditures for health and sanitation increased by \$15,041, as a result of an increase in S&EB and expenditures for human service contracts related to programs under the Mental Health Services Act (MHSA) and for providing health care services to ICE detainees.
- Expenditures for public assistance increased by \$14,950 due to an increase in S&EB, and expenditures for support and care of persons as a result of increases in caseloads for CalWORKs and In-Home Support Services. The suspension of the Severely Emotionally Disturbed program lessened the increase in public assistance expenditures.
- Partially offsetting the general increase in expenditures was a \$5,148 decline in capital outlay as a result of the completion of the Cogeneration Plant project at the Central Utility Facility in FY 2009-10 and a major hardware and software upgrade to the Integrated Records and Information Systems (IRIS) with the majority of expenditures occurring in FY 2009-10. This decline in expenditures was partially offset by construction expenditures for the new Mental Health Services Act Campus.

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 2010-11, fund balances decreased by \$18,713 compared to last year's increase in fund balances of \$25,795. Revenues decreased by \$27,111 primarily due to a decrease of \$32,901 in intergovernmental revenues as a result of the receipt of the final allocation of Proposition 1B – Local Streets and Roads funds in FY 2009-10. The decrease in revenues was partially offset by an increase of \$5,955 in charges for services for reimbursement of expenditures for Oso Parkway construction projects from Community Facilities District funds and the recognition of developer's deposits for the Coastal Area Improvement & Traffic Signals Fee Program and the Foothill Circulation Phasing Plan Road Fee Program. Expenditures increased by \$17,397 primarily due to an increase in capital outlay (\$15,511) for road construction projects and expenditures for public ways and facilities (\$1,887), which was attributable to increases in S&EB and professional services. This increase in expenditures was partly offset by a decline in contributions of Proposition 1B monies to cities.

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 2010-11, there was an increase in fund balances of \$51,450 compared to last year's decrease in fund balances of \$32,601. Revenues increased by \$34,438 due mainly to the receipt of \$36,000 in long term loan proceeds from the Orange County Sanitation District to finance the relocation of the Santa Ana Regional

Interceptor Line (SARI). Refer to Note 11 for detailed information regarding the SARI project and financing agreement. Expenditures and other financing uses decreased by \$49,613 due to a decrease in capital outlay (\$46,083) for the acquisition of land and the relocation of tenants for the Prado Dam Project relative to the prior fiscal year.

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 2010-11, there was an increase in fund balances of \$13,589 compared to last year's decrease in fund balances of \$9,649. Revenues and other financing sources increased by \$7,521, which is attributable to an increase in transfers (\$7,211) of excess Proposition 172 Public Safety Sales Tax funds from the General Fund and an increase in intergovernmental revenues (\$4,502) due to reimbursements for Child Support Services program expenditures, increased Federal Asset Forfeiture revenues, and receipt of Public Safety and Interoperable Communications Grant funds from the California Emergency Management Agency. This increase in revenues was partially offset by a decline in licenses, permits, and franchise revenues (\$2,763) as a result of the transition of the activities for Building and Safety to the General Fund. Expenditures and other financing uses decreased by \$15,717 mainly due to a decline in transfers (\$16,594) to other funds for allocation of State Criminal Alien Assistance Program (SCAAP) funds and Sheriff-Coroner replacement and maintenance funds caused by the deferral of equipment replacement, maintenance, and construction projects. In addition, public protection expenditures (\$4,545) declined as a result of the transition of the activities for Buildings and Safety to the General Fund. Partly offsetting the decreases in expenditures was an increase in capital outlay (\$5,423) for the renovation of the new Regional Narcotics Suppression Program building and 800 MHz Countywide Coordinated Communications equipment purchases, radio site development projects, and equipment replacement and maintenance projects.

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 2010-11, fund balances decreased by \$4,964 as compared to last year's increase in fund balances of \$11,993. Revenues decreased by \$9,434 due to a decline in delinquent secured tax penalty and interest collections. Expenditures and other financing uses increased by \$7,523, which was caused by an increase in transfers (\$8,000) 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. 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.

At the end of FY 2010-11, fund balances increased by \$39,862 in comparison to prior year's increase in fund balances of \$26,279. Revenues and other financing sources increased by \$17,291 and expenditures and other financing uses increased by \$3,708.

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

COMPARATIVE FUND BALANCE				
Governmental Funds				
June 30, 2011 and 2010				
	2011	2010	Increase/(Decrease) %	
General Fund	\$ 278,594	\$ 300,448	(7)%	
Roads	107,190	125,903	(15)%	
Flood Control District	332,172	280,722	18 %	
Other Public Protection	119,511	105,922	13 %	
Teeter Plan Obligation Commercial Paper Program Note	(8,074)	(3,110)	(160)%	
Other Governmental Funds	978,857	938,995	4 %	
Total	\$ 1,808,250	\$ 1,748,880	3 %	

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, 2011						
	Revenues, Contributions and Transfers		Expenses and Transfers		Change in Fund Net Assets	
	2011	2010	2011	2010	2011	2010
Airport	\$ 133,337	\$ 137,177	\$ 86,804	\$ 88,799	\$ 46,533	\$ 48,378
Waste Management	107,303	89,671	106,271	94,688	1,032	(5,017)
Compressed Natural Gas	617	680	399	95	218	585
Total	\$ 241,257	\$ 227,528	\$ 193,474	\$ 183,582	\$ 47,783	\$ 43,946

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 2010-11, there was an increase in fund net assets of \$46,533 compared to the prior year increase of \$48,378. Revenues decreased by \$3,840 due primarily to a decline in receipts from rentals and leases, as well as a decrease in Federal Aviation Administration Grant monies for construction related activities. Expenses and transfers declined by \$1,995 which is primarily due to a decrease in depreciation expense, which was partially offset by an increase in professional services for parking operating services and airport security.

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 2010-11, there was an increase in fund net assets of \$1,032, compared to the prior year decrease of \$5,017. Revenues increased by \$17,632 due to an increase in charges for services as a result of an increase in the amount of disposal fees collected for waste, recycling and importation. Expenses and transfers increased by \$11,583 as a result of an increase in pollution remediation costs for the former Forster refuse disposal station and an increase in landfill site closure/postclosure care costs. This increase was partially offset by a decrease in contributions to other non-County governmental agencies as a result of FY 2009-10 contributions to the City of Brea for the extension of operation and expansion of 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:

Charges for Services

- An increase of \$4,858 in the Miscellaneous Agency due to State reimbursement of the May 19, 2009, Statewide Special Election costs.
- An increase of \$6,151 in Registrar of Voters for reimbursement of the November 11, 2010, General Election, March 8, 2011, San Clemente Special Municipal Election, and an unplanned special statewide election called by Governor-Elect Jerry Brown to help solve the State's budget problems.
- An increase of \$11,339 in Sheriff-Coroner as a result of an agreement with U.S. Immigration and Customs Enforcement (ICE) to house their detainees for a fee.

Transfers In

- An increase of \$5,092 due to closing the Designated Special Revenue fund and transferring the remaining balances to the General Fund.
- An increase of \$3,100 in Data Systems Development Project for internal borrowing from Waste Management for costs associated with the Property Tax Management System (PTMS) and Assessment Tax System (ATS) upgrades.
- An increase of \$2,212 to recognize higher than anticipated importation tonnage and net importation revenues from Waste Management for the County's Bankruptcy Recovery Plan.
- An increase of \$6,361 in Sheriff-Coroner to primarily offset additional costs related to the Gang Enforcement Team, Narcotics/Vice Investigations, location and eradication of methamphetamine laboratories in Orange County, and the reopening and operation of the 4th floor of the Central Men's Jail from *Other Governmental* and *Other Public Protection* special revenue funds.
- An increase of \$11,799 in Health Care Agency (HCA) to primarily offset Seriously Emotionally Disturbed caseload costs, reduced Health and Mental Health Realignment collections, and transfer unanticipated collections from court fines and a onetime allocation of funds from the Center for Disease Control from *Health Care Programs* special revenue funds.
- Partially offsetting the above mentioned increase in transfers in was a decrease of \$3,600 in OC Community Resources from the Designated Special Revenue fund due to a delay in development of the new Animal Care Facility.

Principal Payment on Demand Bonds

- An increase of \$275,923 due to the anticipated proceeds from the County's issuance of the Taxable Pension Obligation Bonds, 2011 Series A. Refer to Note 10 for information regarding the Taxable Pension Obligation Bonds, 2011 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:

Prepaid Pension Obligation

- An increase of \$276,074 in appropriations for the prepayment of the County's FY 2011-12 actuarially required contribution to the Orange County Employees Retirement System (OCERS).

Sheriff-Coroner

- An increase of \$31,837 in appropriations to support the jail systems and terrorism prevention with funding for overtime, training, equipment purchases, and professional/specialized services, as well as for reimbursements to other governmental agencies for grant funded programs and transfers of excess Proposition 172 Public Safety Sales Tax revenues to the Excess Public Safety Sales Tax special revenue fund.

Final Amended Revenue Budget vs. Actual Revenue Amounts

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

Charges for Services

- A \$3,807 negative variance due to lower property tax administration fees than budgeted.
- A \$2,050 negative variance in the Miscellaneous Agency due to County-Wide Cost Allocation Plan (CWCAP) revenues below budgeted estimates.
- A \$4,833 negative variance in Registrar of Voters is a result of the special statewide election called by Governor-Elect Jerry Brown, which did not occur.
- A \$4,081 negative variance in Sheriff-Coroner due to vacancy credits related to Law Enforcement Services, delayed implementation of the U.S. Marshal contract to house Federal prisoners in the Central Jails Complex and reduced usage of the In Custody Drug Treatment Program.
- A \$2,221 negative variance in Sheriff Court Operations due to vacancies in Court Services, which decreased billable court security costs.
- A \$7,761 negative variance in OC Public works primarily due to lower than budgeted billings for allocation of indirect costs due to a burden rate calculation which was materially lower than actual costs.
- A \$3,852 negative variance in HCA due to the decrease in of the enhanced rate for Federal Medical Assistance Percentage (FMAP) funding in accordance with the federal American Recovery and Reinvestment Act of 2009, which was partially offset by the receipt of non-budgeted revenues for reimbursement from local school districts for costs incurred by the County for the Mental Health Services for Special Education Pupils (AB 3632) program.
- An \$8,766 negative variance in OC Community Resources due to lower than budgeted revenues from city billings, and lower charges for services for animal intake.

Transfers In

- A \$3,316 negative variance in Child Support Services due to lower than budgeted expenditures for salaries and benefits due to higher than anticipated vacancy rates, as well as lower costs for professional services and information technology support resulting in a reduction of transfers from the Child Support Program Development fund.
- A \$3,420 negative variance in Probation due to cost containment measures in salaries and benefits and services and supplies reducing the actual need for transfers from *Other Governmental* and *Other Public Protection* special revenue funds.
- A \$7,122 negative variance in Sheriff-Coroner due to the additional costs associated with the reopening and operation of the 4th floor of the Central Men's Jail being completely absorbed within the existing budget, as well as deferral of equipment replacement and maintenance projects to future periods resulting in decreased transfers from *Other Governmental* and *Other Public Protection* special revenue funds.
- A \$40,215 negative variance in HCA was due primarily to delays in projects and start-up of contracted services, measures to contain costs, and an unanticipated reimbursement of costs for mental health services provided under AB 3632, which resulted in a reduction of actual transfers from *Health Care Programs* special revenue funds.
- A \$9,113 negative variance in Social Services Agency due to reductions in expenditures for direct service contracts for the Wraparound Program and Children and Family Services programs and projects, as well as deferral of some facility maintenance projects resulting in lower transfers from *Other Governmental* special revenue funds.

Principal Payment on Demand Bonds

- A \$275,923 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 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:

Prepaid Pension Obligation

- A \$275,923 positive variance due to the accounting reclassification of the prepayment of the County's FY 2011-12 actuarially required contribution to the OCERS from an expenditure to a prepaid asset.

Probation

- A \$14,099 positive variance resulting from efforts to contain costs for salaries and benefits and services and supplies.

Sheriff-Coroner

- A \$33,995 positive variance resulting from cost saving measures to reduce salaries and benefits and services and supplies, lower than budgeted contributions to other governmental agencies for reimbursements/advances for costs related to the Homeland Security Grant, as well as deferral of Homeland Security Grant equipment purchases to FY 2011-12.

OC Public Works

- A \$12,831 positive variance as a result of lower salaries and benefits as a result of vacant positions, efforts to control and reduce costs, and higher intrafund transfers of costs to maximize billable expenditures to their appropriate cost centers.

Health Care Agency

- A \$32,577 positive variance resulting from cost containment efforts, human service contracts for MHSA programs in start-up, as well as deferral of capital projects for MHSA.

OC Watersheds

- A \$12,380 positive variance is primarily due to the delay of major projects, lower than budgeted contributions to the Army Corps of Engineers for projects, and the continuation of cost reduction measures.

Aid to Families with Dependent Children – Foster Care

- A \$14,663 positive variance as a result of lower actual caseloads than projected for Foster Family Homes, Group Homes, and Foster Family Agency and Adoption Assistance, as well as the suspension of the Seriously Emotionally Disturbed program and lower contract expenditures for the Wraparound program.

OC Community Resources

- A \$10,461 positive variance primarily due to lower than budgeted professional services expenditures, and employing cost saving measures.

Social Services Agency

- A \$28,997 positive variance due to the implementation of CalWORKs Welfare to Work Temporary Exemptions, termination of the Braden Court lease, higher than anticipated vacant positions, delayed information technology and facilities projects, and cost containment measures.

Capital Assets

At June 30, 2011, the County's capital assets for both the governmental and business-type activities amounted to \$3,483,363 net of accumulated depreciation. The investment in capital assets includes land, structures and improvements, equipment, intangible assets, infrastructure (roads, bridges, flood channels, trails, traffic signals, and harbors), software in development and construction in progress. The total increase in the County's investment in capital assets for the current year was 5.9%.

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

CAPITAL ASSETS								
(Net of Depreciation)								
June 30, 2011								
	Governmental		Business-Type		Total		Increase	
	Activities		Activities				(Decrease)	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>	
Land	\$ 773,474	\$ 689,544	\$ 38,083	\$ 38,083	\$ 811,557	\$ 727,627	11.5 %	
Structures and Improvements	598,790	552,433	184,231	158,002	783,021	710,435	10.2 %	
Equipment	75,163	84,494	30,448	34,726	105,611	119,220	(11.4)%	
Software	43,082	991	--	--	43,082	991	4,247.3 %	
Infrastructure	887,906	879,015	213,533	225,050	1,101,439	1,104,065	(0.2)%	
Software in Development	25,840	55,992	--	--	25,840	55,992	(53.9)%	
Land Use Rights	576	--	--	--	576	--	--	
Construction in Progress	288,943	371,647	323,294	197,907	612,237	569,554	7.5 %	
Total	\$ 2,693,774	\$ 2,634,116	\$ 789,589	\$ 653,768	\$ 3,483,363	\$ 3,287,884	5.9 %	

The following lists the significant expenditures for capital assets in FY 2010-11:

General Fund

- \$3,512 for construction of the Mental Health Services Act campus.

Roads

- \$5,387 for the Alton Parkway Extension, from Irvine Blvd to Commercentre Drive.
- \$4,218 for the Katella Avenue - Smart Street improvement project.
- \$4,107 for the widening of Moulton Parkway from El Pacifico to Santa Maria Avenue.
- \$3,933 for the Ortega Highway Widening project.
- \$3,608 for Moulton Parkway Widening project, from Via Campo Verde to El Toro Road.
- \$2,934 for Midway City Street and storm drain improvements phases I&II.
- \$2,474 for Newport Avenue pavement rehabilitation, from Wass Street to Hyde Park Drive.
- \$1,113 for Orange Park Boulevard drainage improvements, from Amapola Avenue North to Meads.

Flood Control District

- \$8,686 for improvement of Westminster Channel, from Hoover Street to Beach Boulevard.
- \$5,437 for the construction of a new pump and pump house at the Los Alamitos Pump Station.
- \$2,216 for improvement of the Edinger Storm Channel from the I-405 Freeways to Edinger Avenue.
- \$1,765 for the San Juan Creek Levee improvement project.

Other Public Protection

- \$2,731 for the Motorola 800 MHZ migration project.
- \$1,872 for the hot standby microwave upgrade project to upgrade 20 of the microwave radio terminals and for the purchase of Motorola parts for repeater upgrade project.

Other Governmental Funds

- \$1,642 for Newport Bay Tidelands to replace the seawall and public docks located adjacent to the Harbor Patrol facility in lower Newport Bay.
- \$1,204 for Laguna Niguel Branch expansion project.

Airport

- \$83,656 for the Terminal C gate expansion.
- \$16,770 for the construction of the new Parking Structure C.
- \$11,520 to upgrade the controls on the baggage system and fix baggage belt merges.
- \$10,624 for construction of the Common Use Passenger Processing System (CUPPS).
- \$10,298 for the design and construction of the Central Plant.
- \$9,426 for the Parking Access and Revenue Control project.
- \$4,300 for construction of the north commuter hold room.
- \$2,713 for construction of the passenger boarding bridges project.

Waste Management

- \$1,100 for Prima construction of administration/crew quarters.

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 2010-11, significant commitments for capital expenditures included the following:

- \$388,000 for the Santa Ana River Mainstem Project.
- \$16,384 for the Antonio Parkway Widening Project - Ladera Planned Community to Ortega Hwy.
- \$11,939 for the Foothill Circulation Project - Alton Parkway to Irvine Boulevard.
- \$11,436 for the Terminal C gate expansion.
- \$8,885 for the Katella Avenue - Smart Street Improvement Project.
- \$7,210 for the Santa Ana River Interceptor Line Project.
- \$7,147 for the Midway City Drainage Improvements Phase I & II.
- \$6,687 for the improvement of tenant airline offices.
- \$5,599 for the Edinger Storm Channel Improvement project.
- \$3,465 for the Los Alamitos Pump Station: new pump and pump house.
- \$3,047 for the purchase of law enforcement vehicles.

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, 2011, the County had a total debt obligation outstanding of \$699,309, excluding capital lease obligations, compensated absences and other liabilities. During the year, the County's outstanding bond obligations decreased by 12%, which is attributable to the retirement of \$94,920 of bond obligations, including \$66,015 of bankruptcy related debt. 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, 2011:

LONG-TERM DEBT BOND OBLIGATIONS							
June 30, 2011							
	Governmental Activities		Business-Type Activities		Total		(Decrease)
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Revenue Bonds	\$ 294,805	\$ 356,525	\$ 278,824	\$ 292,234	\$ 573,629	\$ 648,759	(12)%
Certificates of Participation	4,064	4,758	--	--	4,064	4,758	(15)%
Pension Obligation Bonds	54,680	59,331	--	--	54,680	59,331	(8)%
Recovery Bonds	65,361	79,806	--	--	65,361	79,806	(18)%
Add: Premium on Bonds Payable	25,351	29,627	419	1,180	25,770	30,807	(16)%
Less: Deferred Amount on Refunding	(21,556)	(25,093)	(2,639)	(3,577)	(24,195)	(28,670)	(16)%
Total	\$ 422,705	\$ 504,954	\$ 276,604	\$ 289,837	\$ 699,309	\$ 794,791	(12)%

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. The Orange County Development Agency (OCDA) 2003 Santa Ana Heights (SAH) Bonds are AAA insured from Fitch Ratings and S&P with a municipal bond insurance policy, but are not currently rated (NR indicates not rated).

In FY 2010-11, no changes occurred in the County's underlying debt ratings as compared to the previous year.

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

LONG-TERM DEBT RATINGS			
June 30, 2011			
	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
OCDA 2001 Neighborhood Development and Preservation Project Tax Allocation Refunding Bonds	A	A1	NR
2002 Lease Revenue Bonds	A+	Aa3	AA
2006 Lease Revenue Bonds	A+	Aa3	AA
OCDA 2003 SAH Tax Allocation Revenue Bonds	NR	NR	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:

Governmental Activities

State Legislation and Budget

On June 30, 2011, the Governor signed the State Budget Act for FY 2011-12. Compared to the May Revise proposal, the \$86,000,000 final budget does not include revenues from the extension of the temporary sales tax and vehicle license fee (VLF) increases. The lack of legislative support for a two-thirds vote on the Governor's tax extension plan required legislative leaders to develop other options for balancing the State budget. Instead of tax extensions, the budget is balanced by deeper cuts and an assumption that improved economic activity will increase baseline revenues by \$4,000,000, which is greater than the May forecast. In signing the budget, the Governor acknowledged the risk inherent in the budget solutions by identifying "trigger reductions" if State revenues do not materialize as budgeted.

Overall, the \$26,700,000 State General Fund shortfall is bridged with \$11,000,000 in expenditure reductions, \$13,000,000 in revenue increases, and \$3,000,000 in borrowing and transfers, as presented in the following State budget reconciliation:

State Budget Reconciliation

Shortfall:	\$	26,700,000
Solutions:		
Expenditure Reductions		11,100,000
Revenue Increases		13,000,000
Redirect Vehicle License Fees		200,000
Borrowing and Transfers		2,900,000
Total Solutions:		27,200,000
Reserve:	\$	500,000

Trigger Reductions

The budget requires the State Director of Finance to determine if revenues received are consistent with the budget forecast. A revenue shortfall would require mid-year budget reductions as specified in Senate Bill (SB) 73 and Assembly Bill (AB) 121. These "trigger reductions" are tiered based on revenue performance relative to the budget. If revenues are less than \$1,000,000 short, there are no "trigger reductions." If revenues are \$1,000,000 to \$2,000,000 short, the State is required to reduce the budget by \$529,000. If revenues are \$2,000,000 to \$4,000,000 short, the State is required to reduce the budget by an additional \$1,900,000.

The list of cuts identified in the State budget is as follows:

Tier 0	
If the State receives \$3 - \$4 billion of the \$4 billion projected revenues, there will not be additional cuts. Any shortfall will be rolled into 2012-13.	
TOTAL	\$0
Tier 1	
If the State receives \$2 - \$3 billion of the projected revenues, nearly \$530 million in cuts will go into effect:	
▪ University of California	\$100 million
▪ California State University	\$100 million
▪ 20 percent reduction in authorized hours for In-Home Supportive Services recipients	\$100 million
▪ Department of Developmental Services unallocated reduction	\$100 million
▪ \$10/unit fee hike for community colleges	\$30 million
▪ Across-the-board cut to child care funding	\$23 million
▪ Department of Corrections and Rehabilitation	\$20 million
▪ Reduction to California State Library for library grants	\$16 million
▪ Medi-Cal Managed Care Plan payment reductions	\$15 million
▪ Vertical Prosecution grants	\$15 million
▪ Anti-fraud grants provided to counties for the IHSS program	\$10 million
TOTAL	\$529 million
Tier 2	
If the State receives \$0 - \$2 billion of the projected revenues, up to \$1.9 billion in cuts will go into effect, proportionate to revenues:	
▪ Reduction to K-12 schools that allows districts to drop seven classroom days. The school year would be reduced to 168 days – down from 180 days three years ago.	\$1.5 billion
▪ Elimination of school bus transportation	\$248 million
▪ Reduction to community colleges	\$72 million
TOTAL	\$1.82 billion

Source: CSAC Budget Bulletin, June 29, 2011

Realignment

The final State budget includes \$5,600,000 in funding for the Governor's plan to realign certain public safety and health and human service programs to counties. AB 118 identifies the financial structure for funding realignment and establishes the Local Revenue Fund that will account for these activities. For FY 2011-12, realignment is funded by dedicated revenue from state sales tax and vehicle license fees. While the budget funds realignment in FY 2011-12, the lack of a new dedicated funding stream increases the long-term risk to counties should State revenues under-perform the aggressive revenue budget assumptions.

The Governor intends to place an initiative on the November 2012 ballot to seek voter approval of a permanent funding solution for realignment. In past discussion, this long-term funding plan assumed voter approval of increased VLF and sales taxes for a period of five years with year six and beyond funded by the growth in State General Fund revenues. Although the budget does not include the constitutional protections sought by counties, the Governor has indicated that he is still committed to the constitutional protections that have been developed between his office and California State Association of Counties (CSAC), which may be included as a component of the ballot initiative.

Realignment Financing Summary

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Local Public Safety Subventions	489.9	489.9	489.9	489.9
Local Jurisdiction of Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	956.7	0.0	0.0	0.0
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	0.0	0.0	0.0
Mental Health Services				
EPSDT	0.0	629.0	629.0	629.0
Mental Health Managed Care	0.0	183.7	183.7	183.7
Existing Community Mental Health Programs	1,083.6	1,119.4	1,119.4	1,119.4
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services	1,567.2	1,567.2	1,567.2	1,567.2
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	104.1	103.2	103.3
Unallocated Revenue Growth*	0.0	339.0	624.5	1,063.9
Total	\$5,559.1	\$6,024.8	\$6,467.9	\$6,841.3
VLF Funds	\$453.4	\$453.4	\$453.4	\$453.4
1.0625% Sales Tax	\$5,105.7	\$5,571.4	\$6,014.5	\$6,387.9

**This amount will be subject to discussion and is intended to cover county costs and reimburse reasonable state costs.*

Source: CSAC Bulletin, June 29, 2011

Orange County estimates the following impacts from the State budget:

Orange County Vehicle License Fees

All counties in California receive property taxes in lieu of Vehicle License Fees (VLF) pursuant to Section 97.70 of the Revenue and Taxation Code. This exchange of property taxes in lieu of VLF occurred in 2004 when the Legislature enacted the so-called "VLF swap" pursuant to which the State took VLF revenues that were previously allocated to cities and counties and replaced these revenues with property tax revenues that were drawn from county Educational Revenue Augmentation Funds (ERAF) and paid to counties and cities through a Vehicle License Fee Adjustment Amount (VLFAA) allocation.

The intent of the Legislature in enacting the VLF swap was to ensure that cities and counties receive revenues equal to the moneys that these entities would have received under the Vehicle License Fee Law for the 2004–05 fiscal year. To avoid impairing Orange County's pledge of VLF revenues to secure its bankruptcy debt, the Legislature continued to allocate \$54,000 in VLF to Orange County beginning in the 2004-2005 fiscal year. Orange County's VLFAA revenues, which otherwise would have been approximately \$223,000 for the 2004-2005 fiscal year under the VLF swap, were reduced by approximately \$54,000 per year as of that time to approximately \$169,000.

On June 30, 2011, the Governor signed Senate Bill 89 (SB 89), which terminated Orange County's annual receipt of VLF revenue, which was approximately \$49,500 at the time. The enactment of SB 89 recognizes that there is no longer a need to discount the County's VLFAA calculation, because the County's VLF revenues are no longer pledged to secure its bankruptcy debt. As a result of the enactment of the SB 89, the Auditor-Controller recalculated the property taxes that must be allocated to the County and eliminated the reduction in the County's VLFAA, which was attributable to the County's pre-SB 89 VLF set aside. This recalculation results in a \$73,500 increase in the County's VLFAA for the 2011-12 fiscal year compared to the prior year.

It is possible that the County will encounter legal challenges to the calculation of the VLFAA. Therefore, as a matter of fiscal prudence in the management of the County's budget, the County's Board of Supervisors implemented a budget reduction plan on October 4, 2011, to reduce the County's expenses until such time as the matter is fully resolved.

Health and Human Services

The Governor's final budget includes realignment of several health and human services programs to Counties.

Adult Protective Services: Adult Protective Services is realigned effective July 1, 2011. The 2011 Realignment changes the funding source but not the allocation. Therefore, there is no impact to the funding amount.

Community Mental Health Funding Shift: Realignment was enacted in 1991 and represented a major shift of responsibility from state to counties for community mental health programs. Total base funding for the County is currently \$59,624. The legislation does not specify the funding or growth formulas that will be used to transfer these programs to the new funding source. HCA accrued \$7,700 for FY 2010-11.

Mental Health Services Funding: The mandate for providing mental health services for special education students has been shifted from counties to schools. The State budget re-benches the Proposition 98 guarantee and provides an increase of \$221,800 in State general fund allocations to shift the responsibility for providing special education mental health services, including out-of-home residential services, (required under federal law) from county mental health departments and county welfare departments to school districts. The budget also reflects the repeal of the AB 3632 mandate. The FY 2011-12 AB 3632 program cost is approximately \$13,000 for HCA. Although unlikely, if the school districts do not contract for services beyond October 31, 2011, the current year impact will be approximately \$8,700 for HCA, which represents the cost estimate of providing the services for the balance of the FY 2011-12 after October 31, 2011.

For the Social Services Agency (SSA), the transition means that the department will no longer be responsible for paying for out-of-home residential services. The budget impact to SSA is a reduction in cost of \$10,700 and a decrease to Net County Cost (NCC) of \$6,400.

Medi-Cal Reduction: The Governor's final budget did not adopt the May Revision proposal to transition all Healthy Families Children to Medi-Cal over a six-month period. As an alternative, a \$25,000 State general fund unallocated reduction to Medi-Cal was adopted in lieu of the savings that would have been achieved from the shift of Healthy Families Children to Medi-Cal. Orange County's impact has not been identified.

CalWORKs: The State budget restores \$50,000 statewide in the single allocation from "short term reforms" and child care funding. The State budget also continues to reflect the overall changes to the CalWORKs single allocation based on the effects of SB 72 and SB 70 as well as the May Revision restoration of caseload growth and continued county flexibility of the CalWORKs Mental Health/Substance Abuse funding for other CalWORKs program components. The estimated budget impact is a \$5,800 increase in appropriations and revenue with no NCC impact.

CalFresh (formerly Food Stamps): There is no change in the Governor's final budget from the May Revision proposal. The State budget includes a net increase of \$69,300 for CalFresh administration in FY 2011-12 above the March budget of \$110,900, which primarily reflects funding for the projected caseload increase in FY 2011-12, as well as increased federal funding for SNAP-ED/Network for a Healthy California. The County's impact is estimated at \$8,600 increase in costs with \$1,300 in NCC.

In-Home Supportive Services (IHSS): In addition to maintaining the May Revise proposal, the Governor's final budget includes "trigger cuts" that the State will enact mid-year should state revenues not achieve anticipated targets. The State budget includes the following:

- Elimination of services for recipients without medical certification. A net decrease of \$67,400 in FY 2011-12 from requiring the provision of IHSS to be contingent upon a written certification from a licensed health care professional that personal care services are necessary to prevent out-of-home care.
- Implement pilot project for medication dispensing machines for a decrease of \$140,000 in FY 2011-12. To the extent the pilot project and/or alternative savings proposals enacted by the legislature do not achieve a combined net annual General Fund savings of \$140,000, enacted legislation also requires an across-the-board reduction in authorized hours for IHSS recipients beginning October 1, 2012, to make up for the shortfall.
- The "trigger cuts" include a 20% reduction in authorized hours for IHSS recipients scheduled to start January 2012.
- The estimated impact to the County if these cuts are implemented is a reduction in revenue of \$3,400 and decrease in NCC of \$2,900.

IHSS Public Authority: The Governor's final budget rescinds the Governor's May Revise proposal to reduce funding for IHSS Public Authority (PA) administration by approximately \$10,000. The Public Authority is the employer of record for IHSS providers for the purposes of collective bargaining over wages, hours, and other terms of employment.

IHSS Administration: Due to slower projected caseload growth in IHSS, the budget includes a reduction to IHSS county administration funding by an additional \$5,200 from the budget enacted in March for FY 2011-12. In total, the IHSS county administration for FY 2011-12 is proposed to be cut by \$8,200 from FY 2010-11. The budget impact to the County is estimated at \$775 with a reduction in NCC of \$125.

Foster Care: The State budget is increased by \$17,400 in FY 2011-12 to increase payment rates and grant a cost-of-living adjustment for foster family homes, as well as prospective Adoption Assistance payment, Kinship Guardianship Assistance payment, and Non-Related Legal Guardian payment rates required by judicial decisions. Estimated increase in appropriations of \$10,000 with an increase in NCC of \$1,100.

Administration of Justice

Parole and Juvenile Probation: The State budget includes an extensive realignment of parole and juvenile probation responsibilities, the timing of which is not fully specified, but would occur over several years. The shift would eliminate the State's role in housing and treating youthful offenders and transition this responsibility to counties. The State is also proposing to transition the responsibility of supervising lower-level offenders and parole functions to counties. These changes require the need to acquire sufficient secure housing for the returning juvenile offenders and increase in the number of field supervision positions. The budget impact is difficult to estimate since the allocation formula within the County has not been determined and the workload assessment has not been completed. The State has identified that it will reduce by 25% the operating positions and funding associated with the programs subject to realignment.

Court Security: The budget for court security has been transferred to counties. The amount of funding provided by the State will be \$42,800 for the County. The Courts and Sheriff have worked out a staffing plan which will allow them to stay within the available funding.

County Jail: The State budget identifies that offenders convicted of non-violent, non-serious, non-sex offenses, and without any previous convictions for such offenses, would fall under local jurisdiction. This transition began in October 2011 and could require additional staffing costs for public safety departments. Further, the proposed funding is insufficient to house and treat the prisoners in local jail facilities. The current inmate projection for Orange County is estimated to be 1,124, which is an average of 124 inmates per month. This proposal also has the potential to reduce jail beds filled by ICE detainees and U.S. Marshal prisoners, which is projected to provide \$44,000 in revenue to the Sheriff to offset jail costs. Beginning October 1, 2011, Probation will now be responsible for the supervision of State prisoners who are released from prison prior to the end of their commitment with the exception of a small population who will remain on parole (sex offenders). Based on the

information that we have received from California Department of Corrections and Rehabilitation (CDCR), it is anticipated that we could add approximately 500 "post-release community supervision" offenders to our current caseloads by the end of the calendar year. Within the first 12 months of this new law, we anticipate having an additional 1700+ offenders on our caseloads. We are currently working on strategies to supervise this new population that will be discussed with the Community Corrections Partnership (CCP). The State has allocated \$23,000 to Orange County in FY 2011-12 to fund the costs associated with AB 109.

Citizen's Options for Public Safety: The temporary VLF increase was not included in the budget. As such, there is concern that if State revenues do not materialize as budgeted, tier 1 trigger reductions could impact state funding for vertical prosecution and local antifraud program support for IHSS. Impacts to the District Attorney are estimated at \$953 in revenue and appropriations.

Juvenile Justice Crime Prevention Act and Juvenile Probation & Camps Funding: JJCPA and JPCF funding that was in jeopardy due to the expiration of the increased VLF funding has been restored as part of the overall funding package of CDCR realignment. We do not have specific program details as of yet, but it looks like these programs will be funded at the FY 2007-08 levels, which would mean a slight increase in funding compared to what we currently are budgeting.

SB 678: This new legislation provides funding to county probation departments to provide resources to assist Probation in reducing the number of offenders sent to State prison. The funding is provided based on the savings that is achieved by CDCR from vacant beds that would otherwise be occupied by a prisoner from Orange County. For FY 2011-12, Orange County will receive approximately \$6,481 in funding for SB 678. This is approximately \$5,000 more revenue than what Probation had built into the current budget.

Other Programs

Library Funding: The State Budget includes a decrease of \$15,200 State general fund local assistance for public libraries administered by the California State Library. This reduction in general fund local assistance will possibly reduce OC Public Library's funding by 50% for the following programs: Public Library Funding (\$526), California Library Literacy and English Acquisition Services (\$78), and California Library Services Act (\$5).

Redevelopment: Passage of AB1X 26 eliminates the Orange County Development Agency (OCDA) unless OCDA passes an ordinance indicating that it will participate in the "Voluntary Program" by October 1st and remits the specified annual payments to school, fire, and transit districts. The ability to utilize future tax increment to support County programs and projects would be eliminated if OCDA did not participate in the Voluntary Program. The passage of AB1X 26 affects the ability to utilize tax increment to support affordable housing development. This represents a potential loss of approximately \$25,000 to \$30,000 in new tax increment annually over the next 27 years and approximately \$59,000 in unallocated existing tax increment.

On August 23, 2011, the Board of Supervisors approved an ordinance determining that the County will comply with the Voluntary Alternative Redevelopment Program pursuant to Part 1.9 of Division 24 of the California Health and Safety Code in order to permit the continued existence and operation of the Orange County Development Agency. With approval of the Voluntary Program, it is estimated that a payment of \$13,100 would be required for FY 2011-12 and approximately \$3,200 in FY 2012-13 and future years. This will reduce the number of projects/programs the Agency could complete that were previously approved for funding by the board of Supervisors on April 5, 2011.

Election Mandates: The budget suspends election mandates during FY 2011-12. If election mandates are not funded, the Registrar of Voters estimates a \$600 reduction in revenue. There is no impact to the County as this revenue was not included in the FY 2011-12 budget.

Cash Flow: The State budget (SB 82) includes action to extend the deferral of reimbursements to social services indefinitely, repeals the deferral from transportation, and authorizes the State Controller to borrow from the 2011 tax extensions for cash flow purposes.

OC Dana Point Harbor: OC Dana Point Harbor has been approved for a total of \$24,500 in loans from the Department of Boating and Waterways (DBW) for waterside improvements to the Harbor. Although these funds

are set to begin reverting back to the State as early as June 2012, California State Assembly Member Diane Harkey has introduced a bill that would require DBW to extend all phases of the loan contracts until June 30, 2016. Assembly Bill 977 is a two-year bill, which has been held by the author until next year, if needed. We anticipate the FY 2011-12 final State budget will have no impact on our funding.

Long-Term Financial Planning

Property Tax Management System Upgrade

The County's property tax assessment, collection and allocation system processes approximately \$6,000,000 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 the contract with Tata Consultancy Services (TCS) to develop and implement the new PTMS based on the requirements specifications documented during the needs assessment. During the fiscal year, the TCS contract was amended for modification to the scope and project timeline. The contract timeline was extended to January 9, 2013, at a total cost not to exceed \$10,302.

PTMS is being developed in three tiers which will result in periodic movement of data between the Assessment Tax System (ATS) and PTMS while in transition stages. The project is scheduled to be completed in FY 2011-12. The total estimated cost for the project at this time is \$20,167 with cumulative expenditures of \$10,469 spent as of June 30, 2011.

Assessment Tax Systems (ATS) Re-Engineering

The Assessor Department is mandated under the provisions of the California State Constitution and the Revenue and Taxation Code to discover and value all tangible properties in the County of Orange and produce the rolls of values. The assessed value for the 2011 annual roll was over \$418,000,000, which impacts the billing and collection of over \$6,000,000 in tax revenue and special assessments to support the operations of the schools, cities, special districts, and the County.

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

The Assessor Department assembled a project team of in-house managers and subject matter experts, ACS contract staff, and outside vendors to complete this work. The new ATS was deployed in August 2011 and support work will continue through the July 2012 Roll Production. The total estimated cost for the project at this time is \$26,000.

Renewal of Information Technology Services Contract

The County's ten year contract with its information technology service provider is scheduled to expire on June 24, 2012. The current contract is valued at \$250,000. The County released a request for proposal (RFP) for these services and is currently evaluating vendor responses.

Airport Improvement Program

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

The AIP includes the construction of a new multi-level 282,000 square foot terminal building (Terminal C), two new commuter/regional terminals that will each accommodate three regional aircraft at ground level, a South Remain-Over-Night (South RON) aircraft parking area, demolition of the former Parking Structure B1 to make room for Terminal C, a new parking structure (Parking Structure C) and improvements to the existing Terminals A and B. The new terminal and parking structure are scheduled to be opened on November 14, 2011. In FY 2011, the Central Utility Plant (CUP) and Cogeneration Facility was completed. The new facility will provide approximately 95% of the Airport's power needs.

Pursuant to the comprehensive financial program approved by the Board in December 2005 (and updated in mid-2007), the Airport has begun to implement the financing plan for the AIP, which is estimated to cost approximately \$543,000. The capital costs are to be funded from various sources, including: (1) Airport revenues; (2) FAA Airport Improvement Program grants; (3) Transportation Security Administration (TSA) grants; (4) Passenger Facility Charge (PFC) revenues; (5) airport revenue bonds; and (6) future subordinated debt. In July 2009, the County issued \$233,115 in Airport Revenue Bonds, Series 2009A and 2009B, to finance a portion of the AIP. Refer to Note 11, Long-term Obligation, for additional information on the bonds.

As is the case with any substantial capital improvement program, the Airport anticipates encountering many challenges in balancing the current level of operation and high standards for customer service with the substantial construction activity. For additional details on the AIP, refer to Airport's website at <http://www.ocair.com>.

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 68.77% as of December 31, 2009. The funded ratio has since increased to 69.79% as of December 31, 2010 (69.62% for County of Orange rate groups). 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.

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 - David Sundstrom>.