

**COUNTY OF ORANGE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2002**  
(Dollar Amounts in Thousands)

The "net change in fund balances" for governmental funds of \$2,687 in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances differs from the "change in net assets" for governmental activities of \$5,648 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	\$	2,687
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When capital assets used in governmental activities are purchased or constructed in the current fiscal year, the resources expended for those assets are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$121,956 exceeded depreciation expense of (\$47,859) in the current period.

		74,097
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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 specified liabilities is reported as an expenditure in the governmental funds because current financial resources have been consumed. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of this \$38,244 difference are as follows:

Bonds issued	(106,445)	
Premium on bonds issued	(3,491)	
Principal repayments:		
Bonds payable	140,184	
Option B pool participant claims	800	
Capital lease obligations	838	
Bond issuance costs	1,433	
Deferred loss on bond refund	<u>4,925</u>	38,244

Revenues related to prior years that are available in the current fiscal year (i.e. property taxes) are reported as revenues in the governmental funds. These revenues are reflected as an adjustment to government-wide net assets. In contrast, revenues that are earned, but unavailable in the current year are deferred in the governmental funds, but are recorded as revenues in the Statement of Activities. The details of this \$41,374 difference are as follows:

Government mandated and voluntary nonexchange revenues earned in FY 01-02	41,856	
Property tax revenues levied in FY 01-02 but not available	410	
Prior year taxes recorded as revenues in FY 01-02	<u>(892)</u>	41,374

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. The details of this (\$137,820) difference are as follows:

Accrued interest expense	(51,793)	
Amortization of bond issuance cost	(42)	
Amortization of deferred loss on bond refund	(91)	
Compensated employee absences	(29,573)	
Pension costs and amortization of the County's investment account with OCERS	(46,499)	
Capital accretion on bonds payable	<u>(9,822)</u>	(137,820)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telephone services, to individual governmental funds. The net losses 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.

(12,934)

Change in net assets of governmental activities	\$	<u>5,648</u>
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The notes to the financial statements are an integral part of this statement.