COUNTY OF ORANGE RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2003

(Dollar Amounts in Thousands)

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide Statement of Net Assets. The difference in fund balances of \$976,879 is due to the long-term economic focus of the Statement of Net Assets versus the short-term economic focus of the governmental funds. The components of the difference are described below.

Total fund balances -governmental funds		\$ 1,814,282
Capital assets used in the operations of the County are not reported in the governmental fund financial statements because governmental funds focus on current financial resources. Such assets must be included in the Statement of Net Assets for purposes of government-wide reporting. These capital assets consist of: Land	\$ 475.695	
Structures and improvements Equipment Infrastructure Construction in progress	747,894 224,523 1,104,098 389,144	0.040.750
Accumulated depreciation Other assets used in governmental activities do not consume current financial resources and therefore, are not reported in the governmental funds:	(692,596)	2,248,758
Prepaid pension asset Unamortized bond issuance cost	162,632 1,359	163,991
Internal Service Funds primarily serve governmental funds and consequently the assets and liabilities of Internal Service Funds are incorporated as part of governmental activities for purposes of government-wide financial reporting. In addition, the cumulative internal balance resulting from last year's allocation of Internal Service Funds to Business-type Activities are also reported in the		
Statement of Net Assets. Under the modified accrual basis of accounting, revenue cannot be recognized		50,675
until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as it is earned, regardless of its availability. Any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.		86,774
Uncollected property taxes related to prior years are recorded as deferred revenue in governmental funds. Likewise property taxes levied in prior years are recorded as revenues in the current fisical year as they are collected. These deferred revenues should not be included in the government-wide Statement of Net Assets		
as they relate to prior periods and were recognized as revenues in prior years.		21,968
Governmental funds report only those liabilities that are expected to be liquidated with current available financial resources. Thus, governmental funds typically do not report any liability for the unmatured portion of long-term debt. However, all debt must be reported in the government-wide financial statements. The adjustment to reduce net assets for the unmatured long-term liabilities on the Statement of Net Assets is \$1,595,287, which consisted of the following:		
Bonds and COPs payable, net Compensated employee absences payable Pool participants claims Capital lease obligations payable Arbitrage rebate payable	(1,294,420) (146,524) (2,400) (58,233) (23)	
Interest payable on bonds and capital lease obligations payable Interest accretion on capital appreciation bonds payable Due to other governmental agencies for additional pension expense	(22,711) (62,108)	(4 505 007)
accrual Net assets of governmental activities	(8,868)	\$ 2,791,161
-		

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