



ORANGE COUNTY AUDITOR-CONTROLLER'S OFFICE

CITIZENS' REPORT



FOR THE YEAR ENDED JUNE 30, 2019

THE OC AUDITOR-CONTROLLER



Welcome to this year's Orange County Auditor-Controller's Popular Annual Financial Report (PAFR). Each year we produce what we call the "Citizens' Report": an easy-to-digest, simplified version of the [Comprehensive Annual Financial Report \(CAFR\)](#).

[Last year's PAFR](#) was once again awarded for outstanding achievement in popular annual financial reporting from the [Government Finance Officers Association \(GFOA\)](#) for the 16th consecutive year since the inception

of the report. Our Financial Reporting Unit has done an incredible job at consistently producing the report on time and in a simple, yet engaging fashion.

The County continues to operate in sound financial condition, with the General Fund revenue at \$3.4 billion and expenses at \$3.3 billion. Our net position is strong, totalling \$2.5 billion (Total Assets/Deferred Outflow of Resources of \$10.3 billion and Total Liabilities/Deferred Inflow of Resources of \$7.8 million). Overall, the County is in a good financial position.

Each year we choose to highlight a County agency in this report. This year we have chosen [OC Waste & Recycling](#). OC Waste & Recycling has made incredible advances over the past year. From technological pilot programs looking at new, more effective recycling methods to transitioning to a new IT system designed to track compliance data, OC Waste & Recycling is a fantastic example of fiscal responsibility in a government agency.

I would be remiss if I didn't recognize the true heart of the Auditor-Controller department: its staff. I want to thank them for their dedication and commitment to the County. This past year our department moved headquarters to [1770 N. Broadway](#), moving over 150 people and offices, while avoiding any interruption in services to the County. It is because of our staff's fortitude and skill that this department continues to operate effectively and with excellence. Please enjoy this year's report!

Frank Davies, CPA
Orange County Auditor-Controller

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OC BOARD OF SUPERVISORS

“Making Orange County a safe, healthy, and fulfilling place to live, work, and play, today and for generations to come, by providing outstanding, cost-effective regional public services.”



Lisa A. Bartlett
Chairwoman
Fifth District
(714) 834-3550



Michelle Steel
Vice Chair
Second District
(714) 834-3220



Andrew Do
First District
(714) 834-3110

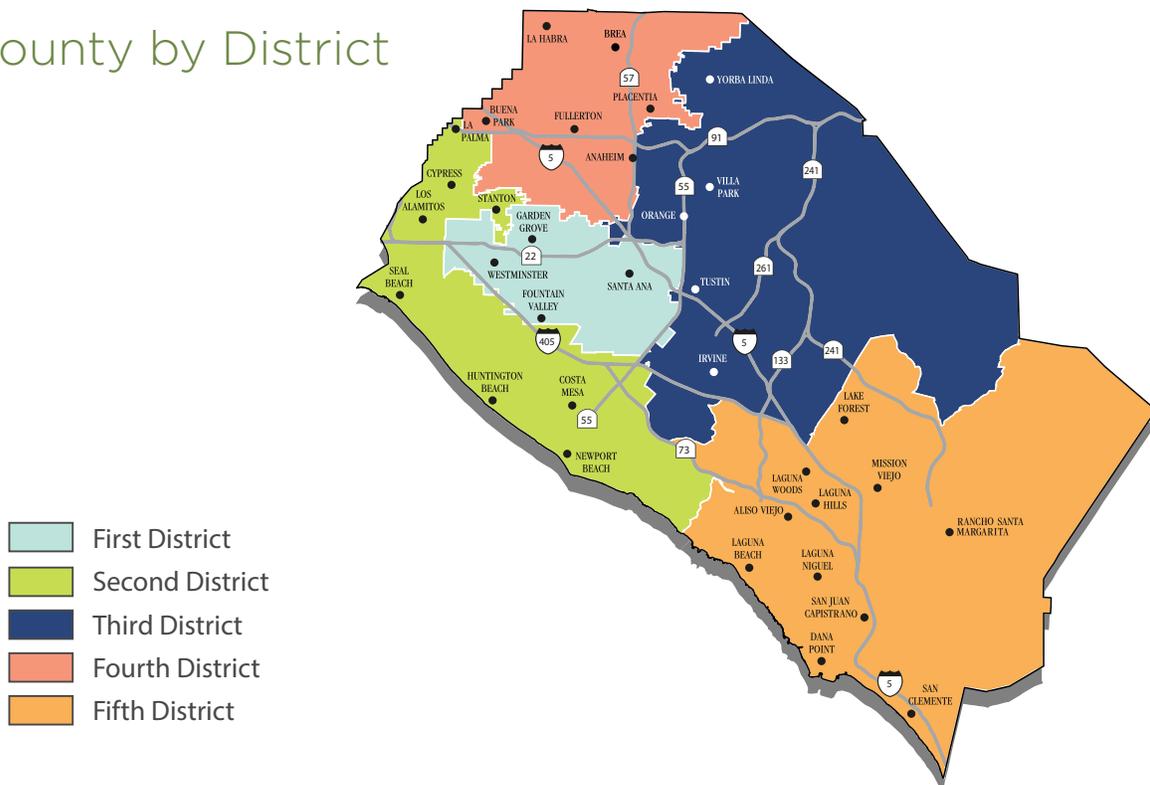


Donald P. Wagner
Third District
(714) 834-3330



Doug Chaffee
Fourth District
(714) 834-3440

County by District



THE PURPOSE



The purpose of the Orange County Citizens' Report is to provide the public, in layman's terms, the highlights of the County's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019. The CAFR is a detailed and complete financial presentation prepared in conformance with the United States Generally Accepted Accounting Principles (GAAP) and is available in its entirety online at www.ac.ocgov.com (or use QR Code below). The CAFR details how the County spent its budget of \$6.5 billion during the past fiscal year. While the financial statements' data in the OC Citizens' Report conforms to GAAP, some statistics are taken from various sources and are not GAAP-based data. The CAFR is prepared by the Auditor-Controller's office and independently audited by Eide Bailly LLP, receiving an unmodified (clean) opinion. A companion to the CAFR is the County budget, prepared by the County CEO Budget Office. It outlines how the County plans to spend its resources in the fiscal year.

The County's CAFR contains two sets of financial statements that measure its finances differently. Government-wide statements present a long-term look at the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Fund statements, of which the General Fund is the chief operating fund, provide a short-term perspective of individual fund's assets, liabilities, deferred inflows of resources, and fund balance. It shows the difference between what the County currently owns versus what the County currently owes. It also presents the resources flowing in and out during the fiscal year. One way to view it is that the long-term perspective would report a homeowner's mortgage balance and the property's value, while the short-term perspective would report only the house payments and the income to make those payments.

[Click here to view CAFR](#)

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2018-19:

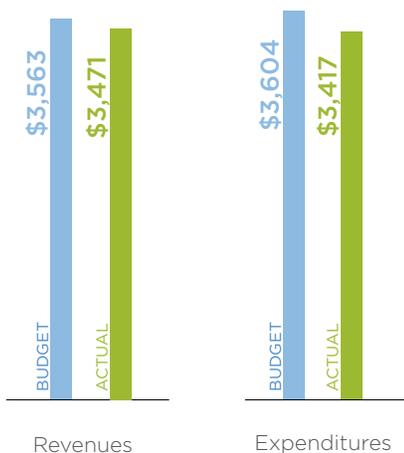
- ▶ Total net position increased by \$62.4 million, or 3% as compared to last year.
- ▶ Long-term debt increased by \$138 million, or 29% as compared to last year.
- ▶ The County's governmental funds reported combined ending fund balances of \$2.7 billion, an increase of \$152 million, or 6% as compared to last year.
- ▶ General Fund revenues and transfers ended the year 3% below budget.
- ▶ General Fund expenditures and other financing uses ended the year 5% below budget.

THE COUNTY BUDGET

GENERAL FUND

BUDGET vs. ACTUAL

(DOLLAR AMOUNTS IN MILLIONS)

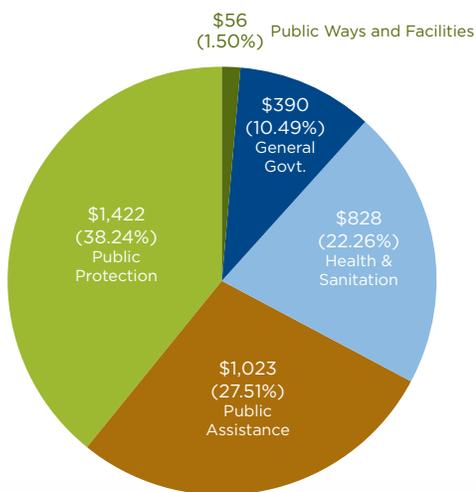


The County’s fiscal year starts on July 1. The County’s budget process usually begins in late December with careful planning. Revenues are budgeted in the amount expected to be received or as they are applicable to the fiscal year. Expenditures are budgeted at an amount sufficient for 12 months if they are ongoing and in their full amount if they are one-time items. The Board of Supervisors adopts the budget, which becomes the spending plan for County departments. Actual revenues and expenditures are monitored during the year and reported to the Board of Supervisors on a quarterly basis. The budget may be modified based on these quarterly reports to reflect new assumptions or events. The County’s budget for [FY 2018-19](#) was \$6.5 billion, of which \$3.6 billion was budgeted for the General Fund.

FY 2019-20 GENERAL FUND

BUDGET BY FUNCTION

(DOLLAR AMOUNTS IN MILLIONS)



As indicated by the chart to the left, General Fund actual revenues were \$92 million less than budgeted mainly due to lower federal public assistance administration revenues, lower drawdowns from the Mental Health Services Act Fund, a delay in transfers from Tobacco Settlement and Wraparound Program Funds to reimburse the eligible costs, and lower revenues received for Homeless Prevention, Office on Aging and Community Investment Programs.

General Fund actual expenditures were \$187 million less than budgeted, primarily due to departments having lower than budgeted expenditures in all categories.

Orange County works diligently every year to maintain a strong, balanced budget. The County’s Annual Budget for FY 2019-20 totals \$6.8 billion, of which \$3.7 billion is for the General Fund. The County’s budget continues to address major initiatives for homeless shelters, whole person care, housing, and civic center facilities strategic plan.

STATEMENT OF

NET POSITION

The Statement of Net Position (dollar amounts in millions) presents the County's financial position from a long-term perspective. It reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Assets					
Current and Other Assets	\$4,043	\$4,330	\$4,531	\$4,430	\$4,773
Capital Assets	3,619	3,658	3,831	4,096	4,193
Total Assets	7,662	7,988	8,362	8,526	8,966
Deferred Outflows of Resources					
Deferred Charge on Refunding	6	4	1	-	3
Deferred Outflows of Resources Related to Pension	667	1,116	839	1,047	1,350
Deferred Outflows of Resources Related to OPEB	-	-	-	24	41
Total Deferred Outflows of Resources	673	1,120	840	1,071	1,394
Liabilities					
Long-Term Liabilities	5,187	5,664	5,347	5,498	6,554
Other Liabilities	746	804	792	800	848
Total Liabilities	5,933	6,468	6,139	6,298	7,402
Deferred Inflows of Resources					
Deferred Inflows of Resources Related to Pension	394	454	558	822	359
Deferred Inflows of Resources Related to OPEB	-	-	-	12	-
Deferred Inflows for Service Concession Arrangements	-	-	-	-	72
Total Deferred Inflows of Resources	394	454	558	834	431
Net Position					
Net Investment in Capital Assets	3,313	3,371	3,521	3,831	3,986
Restricted	1,324	1,330	1,595	1,491	1,632
Unrestricted	(2,629)	(2,515)	(2,611)	(2,857)	(3,091)
Total Net Position	\$2,008	\$2,186	\$2,505	\$2,465	\$2,527

NET POSITION COMPONENTS

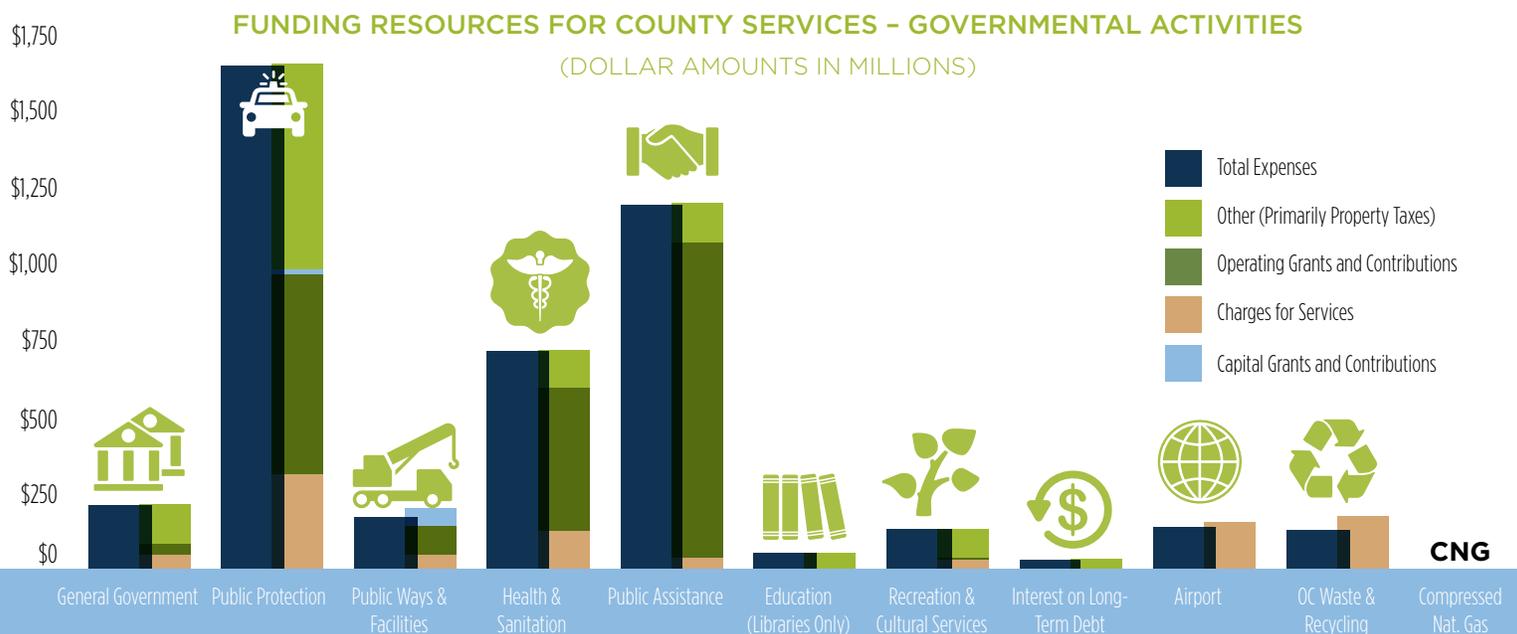
The largest component of the County's net position is net investment in capital assets. It cannot be used to liquidate the County's debt. The second component is restricted net position. The resources are subject to external restrictions on how they may be used, for example, restrictions imposed by grantors, contributors, laws or regulations of other governments, or restrictions imposed by law through constitutional provision or legislation, including those passed by the County itself. The final component of net position is unrestricted net position. It is a resource that can be used to meet ongoing obligations to citizens and creditors.

STATEMENT OF

ACTIVITIES

The Statement of Activities (dollar amounts in millions) reports the County's revenues and expenses during the fiscal year, as well as any transaction that increases or decreases its net position. Revenues are classified by source and expenses are classified by function.

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues					
Program Revenues	\$2,884	\$3,000	\$3,111	\$3,276	\$3,311
General Revenues	1,023	1,008	1,074	1,128	1,192
Total Revenues	3,907	4,008	4,185	4,404	4,503
Expenses					
General Government	192	204	186	196	222
Public Protection	1,326	1,434	1,485	1,476	1,650
Public Ways and Facilities	114	142	98	152	173
Health and Sanitation	538	555	594	656	716
Public Assistance	1,050	1,097	1,097	1,103	1,194
Education (Libraries only)	43	46	44	48	52
Recreation and Cultural Services	102	115	113	124	139
Interest on Long-Term Debt	24	20	18	26	31
Airport	125	121	126	125	136
OC Waste & Recycling	69	96	105	125	128
Total Expenses	3,583	3,830	3,866	4,031	4,441
Excess before Transfers	324	178	319	373	62
Transfers	-	-	-	-	-
Increase (Decrease) in Net Position	324	178	319	373	62
Net Position-Beginning of the Year	1,684	2,008	2,186	2,092	2,465
Net Position-End of the Year	\$2,008	\$2,186	\$2,505	\$2,465	\$2,527



REVENUES AND EXPENSES

PROGRAM REVENUES are derived directly from the program itself or from parties outside the County's taxpayers or citizenry. It includes **Operating Grants and Contributions**, monies received from parties outside the County that are generally restricted to one or more specific programs; **Charges for Services**, revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided; and **Capital Grants and Contributions**, monies received for capital purposes to purchase, construct, or renovate capital assets associated with a specific program.

GENERAL REVENUES are taxes and other items, such as unrestricted interest revenue not reported as program revenues.

GENERAL GOVERNMENT includes expenses incurred by the Board of Supervisors, Clerk of the Board, Auditor-Controller, Assessor, County Executive Office, County Counsel, Clerk-Recorder, Registrar of Voters, and Treasurer-Tax Collector.

PUBLIC PROTECTION consists of Flood Control, Sheriff-Coroner, District Attorney-Public Administrator, Probation, Trial Courts, Sheriff Court Operations, Grand Jury, Child Support Services, Public Defender, and Alternate Defense.

PUBLIC WAYS AND FACILITIES consist of repairs and maintenance of public roads and parking facilities by the OC Public Works.

HEALTH AND SANITATION includes indigent medical services, public health care and emergency medical service programs, and environmental health services provided by OC Public Works and the Health Care Agency.

PUBLIC ASSISTANCE is comprised of a variety of social services, as well as housing and community services from Social Services Agency and the OC Community Resources.

EDUCATION includes the operating costs of providing library services from OC Community Resources.

RECREATIONAL AND CULTURAL SERVICES represents operations related to the harbors, beaches and parks, and includes costs from OC Community Resources.

INTEREST ON LONG-TERM DEBT accounts for indirect expenses of interest paid on general long-term debt incurred by the governmental functions.

AIRPORT accounts for major construction and self-supporting aviation-related activities at John Wayne Airport.

OC WASTE & RECYCLING accounts for the operation, expansion, closing of existing landfills and the opening of new landfills.

The County's revenues for the year totaled \$4.5 billion, an increase of \$100 million from prior year's total revenues. Expenses totaled \$4.4 billion, an increase of \$410 million from the previous year's total expenses.

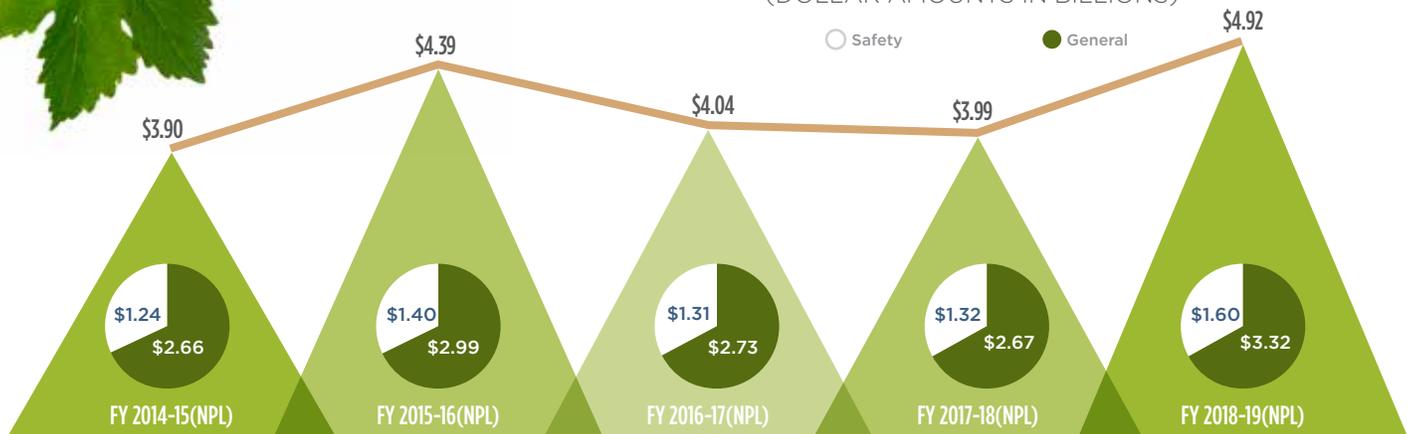
Program revenues increased from the prior year mostly due to an increase in operating grants and contributions. General revenues increased from the prior year mostly due to an increase in property taxes. Expenses increased from the prior year mostly due to an increase in public protection, public assistance, health and sanitation, and public ways and facilities expenses.

PENSION AND RETIREE MEDICAL



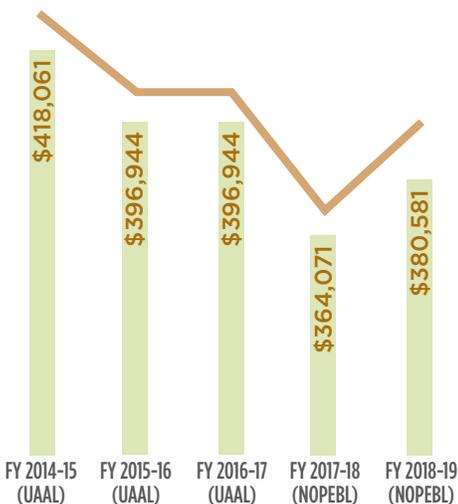
The County of Orange is typical of most state and local entities in that we provide a pension plan with defined benefits and partially paid retiree medical benefits for our employees. The [Orange County Employees Retirement System \(OCERS\)](#) administers the County's pension plan. County contributions, when combined with employee contributions and investment earnings, will fully provide for employee pension benefits when they retire. The County reports its entire net pension liability in the financial statements. The chart below shows the County's net pension liability over the past five fiscal years.

COUNTY PENSION LIABILITY FIVE-YEAR TREND
(DOLLAR AMOUNTS IN BILLIONS)



COUNTY OPEB LIABILITY FIVE-YEAR TREND

(DOLLAR AMOUNTS IN THOUSANDS)

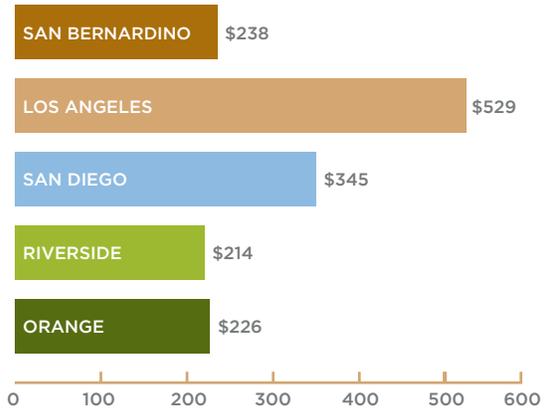


The County also provides other postemployment benefits ([OPEB](#)), primarily healthcare benefits, to eligible retired employees to receive a monthly grant that helps offset the costs of maintaining health insurance following retirement. The County sets aside contributions in the [County of Orange Retiree Medical Trust](#) to pay for the retirees' medical grant through the Retiree Medical Plan, which specifically does not create any vested right to benefits. Beginning in FY 2017-18, the County implemented [GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"](#) to report its entire net OPEB liability in the financial statements, which is the County's OPEB obligation in excess of resources held. The chart on the left shows the County's unfunded actuarial accrued liability (UAAL) or net OPEB liability (NOPEBL) over the past five fiscal years.

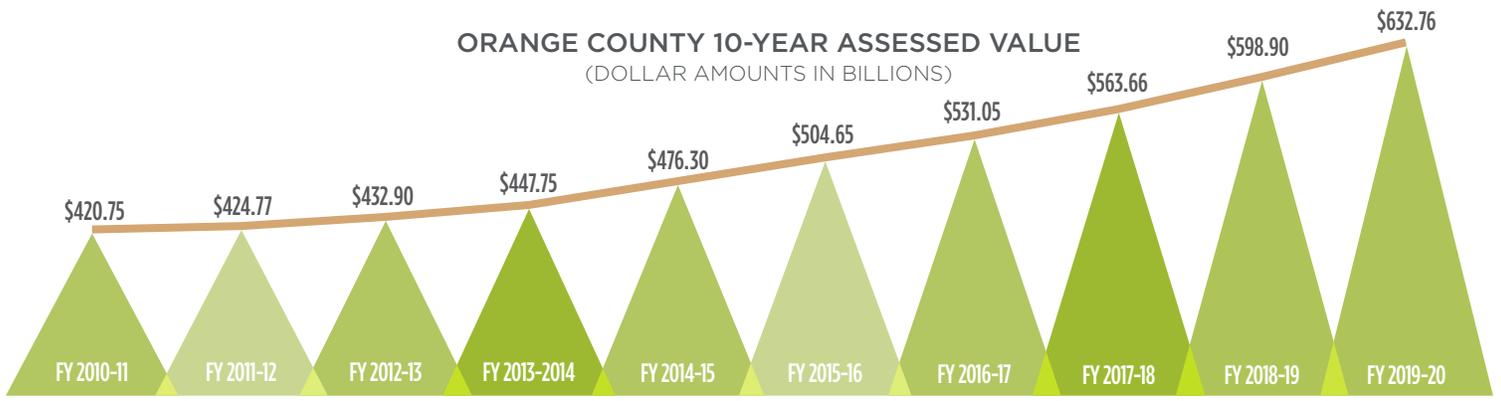
PROPERTY TAX

Property tax is a major source of revenue for local government in California. In FY 2018-19, \$7.47 billion in property tax collections were distributed to the County government, cities, schools, redevelopment trust funds, and special districts in Orange County. The County relies on property tax as the main source of revenue to pay for countywide services. Although Orange County is the third most populous county in the State, the property tax per capita received by the County to fund countywide services is one of the lowest of the surrounding Southern California counties. Orange County's total assessment roll for FY 2018-19 was valued at \$598.90 billion and increased by 5.65% to \$632.76 billion for FY 2019-20. Compared to FY 2010-11 total assessment roll of \$420.75 billion, the County's assessed value has increased by \$212 billion, or 50.39%, over the last ten years.

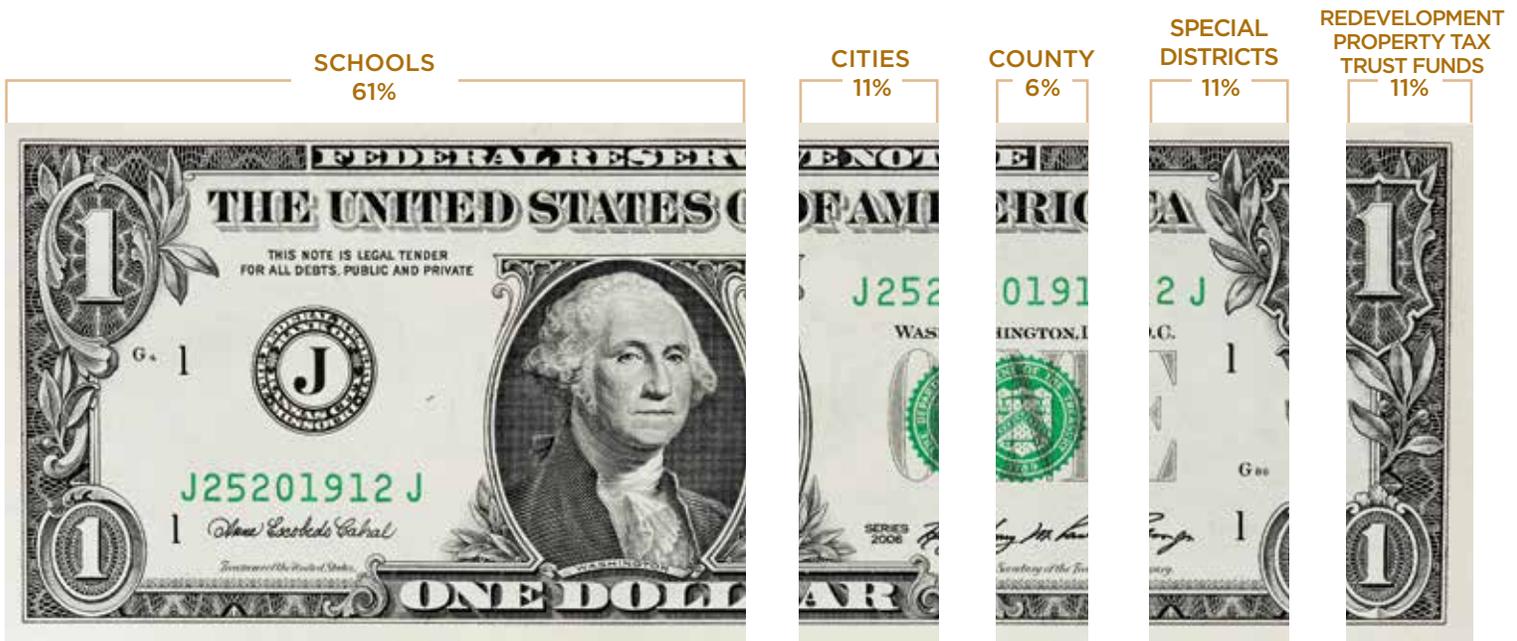
PROPERTY TAX PER CAPITA BY COUNTY (FY 2018-19)



ORANGE COUNTY 10-YEAR ASSESSED VALUE (DOLLAR AMOUNTS IN BILLIONS)



WHERE THE PROPERTY TAX DOLLAR GOES



**The dollar does not take into account the Vehicle License Fee (VLF) property tax swap.

** Any remaining balance after payment of enforceable obligations in the Redevelopment Property Tax Trust Fund is distributed back to the taxing entities.

UP CLOSE

Property tax is imposed on property owners and is based on the value of the property. Proposition 13, which was passed by California voters in 1978, limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter approved general obligation debt. Increases in assessed value for property are limited to 2% per year if there has been no ownership change, or no new construction. Newly acquired property is assessed at fair market value, typically the purchase price, and the value of new construction is added to the existing base value of the property. In addition to the value based property tax, special assessments or fixed charges may also be added to the property tax bill. These fixed charges may include special taxes to pay Mello-Roos district (Community Facilities District or CFD) bonds. These bonds are issued to pay for services and general benefit facilities such as streets, sewers, parks, and libraries within the Mello-Roos district. The time period for paying Mello-Roos bonds can be up to 40 years. As the bonds are paid off, the need to collect the special taxes may cease.

WHY DO SOME LOCAL GOVERNMENTS RECEIVE MORE PROPERTY TAXES THAN OTHERS?

The distribution of the basic 1% property tax is based on statutes enacted by the California legislature. After the passage of Proposition 13 in 1978, legislation was passed which essentially froze the relative share of each property tax dollar collected that taxing entities received. For example, if a county received 10% of the property taxes collected by all local taxing agencies within that county prior to the passage of Proposition 13, the county would receive 10% of the property taxes collected at the 1 percent rate. In Orange County's case, the County was mostly rural back in the 1970s and did not provide a full array of services, and therefore, was not receiving a higher percentage of property tax revenues prior to Proposition 13. This percentage share does not change unless there is an exchange of services and/or boundaries between taxing entities.

AVERAGE HOME PRICE

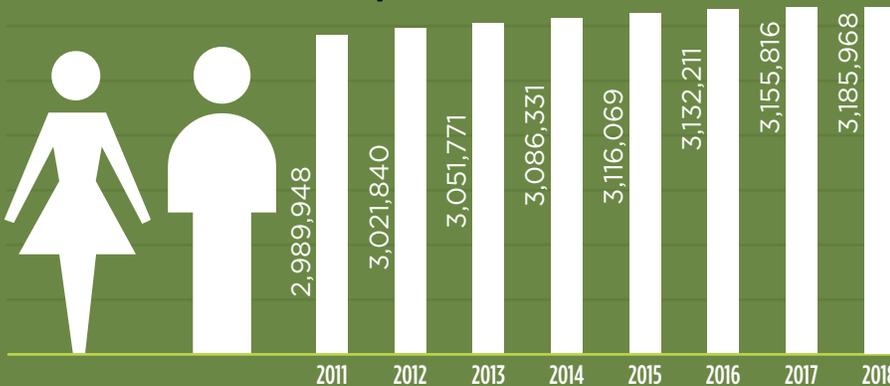


Source: Zillow

ORANGE COUNTY AT A GLANCE

ORANGE COUNTY is 798 square miles of breathtaking sunsets, world famous beaches, shopping centers and tourist destinations. And for a lucky 3.2 million people, they call it home.

OC Population Growth



Source: Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018
Source: U.S. Census Bureau, Population Division



AVERAGE AGE
37.9
YEARS OLD

AVERAGE HOUSEHOLD INCOME
A MEDIAN OF
\$86,217
Source: data usa



TOP 10 EMPLOYERS IN ORANGE COUNTY

1. Walt Disney Co.	30,000
2. University of California, Irvine	23,884
3. County of Orange	18,313
4. St. Joseph Health	14,000
5. Kaiser Permanente	8,178
6. Albertsons So. Cal. Division	7,670
7. Target Corp.	6,300
8. Walmart Inc.	6,200
9. Hoag Memorial Hospital	6,100
10. Boeing	6,000

Source: OC Business Journal Book of Lists 2019

Major Industries in Orange County

Tourism

Education

Health & Medical

Engineering

Manufacturing

Finance

Retail

FY 2018-19

Top 10

Property Taxpayers

	% of Taxes Paid	Total Taxes Paid
1	Irvine Company 1.19%	\$81,401,688
2	Walt Disney Parks & Resorts US .81%	\$55,431,700
3	Southern California Edison Company (Edison International) .71%	\$48,649,312
4	Five Points Holdings, LLC .40%	\$27,187,647
5	Sempra Energy (SDG&E, So. Cal. Gas) .19%	\$13,288,096
6	United Laguna Hills Mutual (Laguna Woods) .16%	\$10,672,657
7	AT&T (Pacific Bell Telephone Company) .14%	\$9,448,376
8	BEX Portfolio, Inc .13%	\$8,588,073
9	Anbang Insurance Group Company (Ritz-Carlton, Montage) .10%	\$6,876,216
10	Bella Terra Associates, LLC .09%	\$6,229,037

Source: Orange County Treasurer-Tax Collector

OC WASTE & RECYCLING



One of the duties of the Orange County Auditor-Controller's office is to provide accounting services to the numerous agencies that keep Orange County running smooth. Every year we choose to highlight one of these agencies. This year we chose to highlight what we think is one of OC's unsung heroes: [OC Waste & Recycling](#). OC Waste & Recycling serves the County by providing waste management services, operating public landfills, protecting the local environment, investing in renewable energy enterprises, and promoting recycling in order to ensure a safe and healthy community.

OC WASTE & RECYCLING



OC Waste & Recycling manages one of the nation's premier solid waste disposal systems, serving residents and businesses in the County's 34 cities and unincorporated areas. In addition to monitoring 20 closed landfills and former disposal stations throughout the County, they oversee three active landfills — [Olinda Alpha Landfill in Brea](#), [Frank R. Bowerman Landfill in Irvine](#) and [Prima Deshecha Landfill in San Juan Capistrano](#).

The landfills reflect environmental engineering at its best as they are among the largest in the State and annually receive more than 4 million tons of solid waste. These state-of-the-art facilities take pride in being good neighbors. The landfills use sanitary and environmentally friendly operational methods, and have earned many awards for their modern management techniques, regulatory compliance and environmental practices. These practices include noise reduction and visual screening techniques, natural habitat planting and re-seeding, the use of falcons and hawks to reduce the number of scavenger birds, and weed abatement provided by real goats.

For more information go to oclandfills.com.

DID YOU KNOW?

OC Waste & Recycling operates four Household Hazardous Waste Collection Centers, in Irvine, Anaheim, Huntington Beach and San Juan Capistrano. These centers are free of charge to Orange County residents and are a convenient way to dispose of hazardous waste, including common household chemicals and electronics.

TOP 7 WASTE REDUCTION TIPS

1

Recycle

The best way to recycle is to do it everyday, whether at school, home, anywhere! It's as easy as sorting out your bottles or cans.



2

Go Paperless

Sign up for electronic bills, unsubscribe from junk mail, or even send paperless invites. With the advance of technology, you can save paper and time.



3

Compost

Composting is the controlled decomposition of organic materials such as leaves, twigs, and food scraps. Composting can, on average, reduce a household's waste by 25%!



4

Grasscycle

Grasscycling is the natural process of leaving clippings on the lawn when mowing. The clippings quickly decompose, returning nutrients to the soil. This can save time, money, and our landfills!



5

Purchase Recycled

Purchasing products made with recycled material will help turn those cans, bottles, and paper collected at curbside into products we can use everyday. Check the packaging on the product to see whether or not recycled material is used.



6

Use a Reusable Bag

Bring your own reusable bags to the grocery store and you will not need a plastic bag. Plastic bags contribute to tons of unnecessary trash in our landfills everyday.



7

Buy in Bulk

Of all the garbage we generate, 1/3 is packaging that gets thrown away immediately. Buy in bulk or concentrate form when possible to avoid excessive packaging layers.





Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Orange County
California**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

Orange County Auditor-Controller
1770 N. Broadway, Santa Ana, California 92706



OC Auditor-Controller: ocauditor.com • County of Orange: www.ocgov.com

Sources used in compilation of this report: the [County of Orange FY 2018-19 Comprehensive Annual Financial Report](#), the [County of Orange website](#), and the [Orange County Employees Retirement System \(OCERS\) website](#).